

Council Tax Support Scheme and Second Homes Discount

REPORT TO THE EXECUTIVE



DATE	17th February 2020
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Asad Mushtaq
TEL NO	01282 477173
EMAIL	amushtaq@burnley.gov.uk

PURPOSE

1. To present the findings of the Council Tax Support Scheme consultation with regards to changing the reduction of entitlement from 17.5% to 15% over a 2-year period and to note the review and unchanged second homes zero discount on Council Tax.

RECOMMENDATION

2. That the Executive recommends that Full Council approves and adopts changes to the Council Tax Support Scheme for 2020/21 and 2021/22 onwards such that any entitlement in accordance of the scheme is reduced to 16.0% in 2020/21 and to 15.0% from 2021/22 onwards, which represent a change to the current reduction of entitlement of 17.5%.
3. That Full Council note the review of the policy not to award any discount on Council Tax for second homes and that it will remain unchanged.

REASONS FOR RECOMMENDATION

4. **Council Tax Support Scheme**
A phased change over 2 years of the reduction in entitlement from 17.5% to 15.0% to ensure those low-income working age claimants of Council Tax Support are additionally supported.
5. **Second homes discount**
After review of the Council's discount policies on Council Tax, officers see no compelling case to introduce a discount for second homes (furnished houses that are not the sole or main residence of an individual), which is in-line with most authorities in Lancashire.

SUMMARY OF KEY POINTS

6. Council Tax Support Scheme

Council Tax Support replaced Council Tax Benefit in April 2013. The Local Government Finance Act 2012 created the provision for local authorities to create their own local

schemes to replace the national Council Tax Benefit scheme. Pensioners were protected from any reduction in Council Tax Support.

7. The government's policy objectives in localising support for Council Tax were to: -
 - Give local authorities a greater stake in the economic future of their local area
 - Give local authorities the opportunity to reform the system of support for working age claimants
 - Reinforce local control over Council Tax
 - Give local authorities a financial stake in the provision of support for Council Tax
8. The reduction in entitlement has been at 17.5% since 2016/17. This report proposes a stepped change from 17.5% to 16.0% in 2020/21 and then to 15.0% from 2021/22 onwards. This is to help provide some support to those financially vulnerable residents who are recipients of Council Tax Support.
9. It should be noted that any decision to change the scheme is required to be done after consultation. Billing authorities are the default lead authority for Council Tax Support schemes and are also required to consult with precepting authorities, in particular with the County Council, Fire and Police authorities about the scheme as any changes affect the income they receive.
10. An 8-week public consultation process was carried out in November/December 2019 on the changes to the scheme. This included consulting with the Council's major preceptors.

Illustrated example of changes to the scheme

11. In 2019/20 a household of two or more people in a Band A property must pay £1,278.50 in council tax. If the household is on income support and can claim the full amount of council tax support, then the amount they currently pay reduces to £223.74. Under the proposal, assuming no change in the full council tax due for Band A properties, by 2021/22 the household will pay 2.5% less i.e., the amount due will go down by £31.96 to £191.78.
12. It is important to note that the full amount of council tax due is likely to increase from current levels in future years. If council tax rose by, for an illustrative example, say 3% each year, the amount payable where there was maximum eligibility for council tax support would be as follows:-

	2019/20	2020/21	2021/22
Full Bill Amount Payable (Band A property)	£1,278.50	£1,316.86	£1,356.37
CTS % of Bill Payable	17.50%	16.00%	15.00%
CTS Claimant Amount Payable	£223.74	£210.70	£203.46

13. It is expected that any net cost of the scheme to the Council or its preceptors is offset by the increase of powers to levy additional Council Tax premium over the next 2 years and onwards for properties that are long-term empty. The details of the additional Council Tax Premiums that were approved by the Council is detailed in the reports presented and approved at Full Council on 25th September 2019.

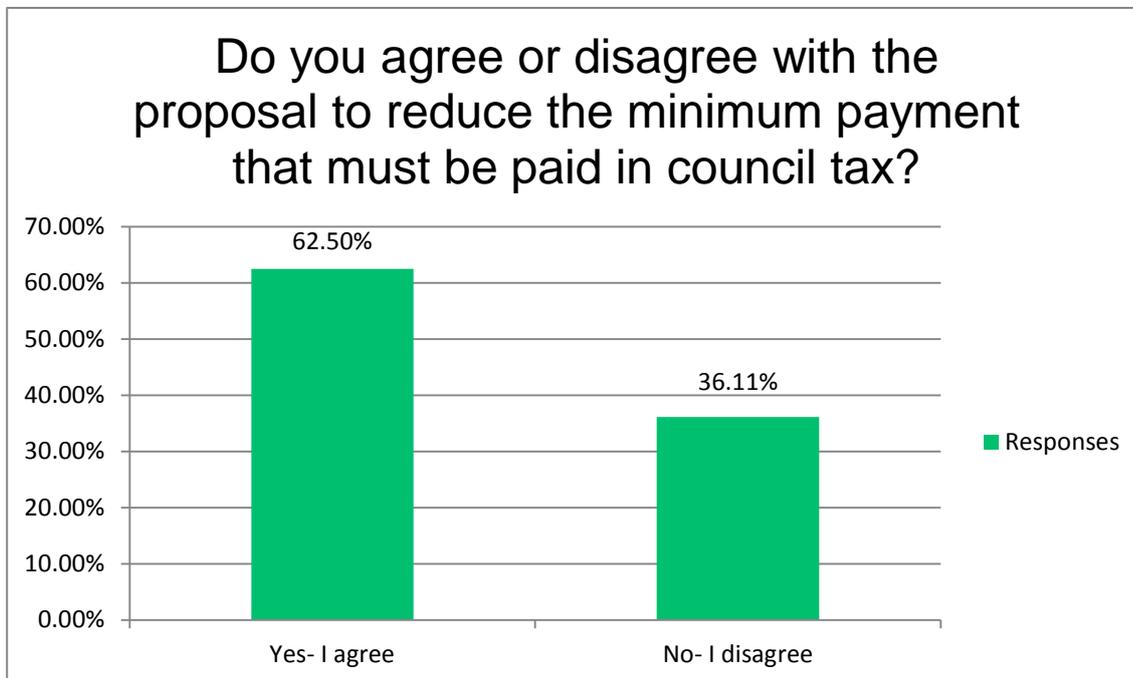
Consultation

14. A public consultation began on Monday 14th October 2019 and lasted for an 8-week period up until Monday 9th December 2019. This included consulting with the Council's major preceptors.
15. The wording of the consultation questions and results are detailed in Appendices 1 & 2, respectively. The main questions was-:

Do you agree or disagree with the proposal to reduce the minimum payment that must be paid in council tax?

The other six questions categorised the respondents into various groupings.

16. There were in total 72 respondents to the survey. The results of the survey of the main question was as follows-:



17. A summary analysis of the respondents is below-;
- 72 responses were received. Of this, 17 declared they were current claimants, while 54 said they were not (1 chose not to declare their status).
 - Overall, 63% of respondents agreed to the proposal. 36% were against.
 - Current claimants were more strongly in favour of the proposal (94%) than non-claimants (54%)
18. The full results of the survey are included in Appendix 2, which additionally shows the responses analysed between claimants and non-claimants, as well as providing overall results.
19. The major preceptors responded to the consultation to offer their support to the changes on the basis that any lost revenue is offset by the additional income raised through Council Tax Premiums. The Council's major preceptors are Lancashire County Council, Lancashire Fire & Rescue Service and The Office of the Police and Crime Commissioner

for Lancashire.

20. On the basis of the feasibility of the proposals and the results of the consultation, it is recommended that changes to the Council Tax Support (CTS) Scheme as outlined in this report are approved, namely CTS entitlement in accordance of the scheme is reduced to 16.0% in 2020/21 and to 15.0% from 2020/21 onwards, which represent a change to the current reduction of entitlement of 17.5%.

21. **Second homes discount**

22. This Council approved changes in 2012 to end the 50% discount on second homes that are furnished, from 2013/14 onward, to remove the incentive for the taxpayer to declare a property as a second home for the purposes of availing the discount, as well as quoting the intention of Government at the time that those holding second homes can afford to make a useful contribution to the local economy.

23. At the time the Council believed the removal of the discount and the existence of other schemes relating to empty property would be sufficient.

24. After review, officers see no compelling case to make any amendments to the existing discounts, or lack thereof, relating to empty properties or second homes and therefore recommend to the Executive not to offer a discount for second homes.

25. This is in-line with most authorities in Lancashire. As of 1 April 2020, only Ribble Valley Council will be operating a second homes discount, which they propose to set at 10%.

26. A list of discounts and exemptions currently offered by the Council on Council Tax are set out on the website at:-

<https://www.burnley.gov.uk/residents/council-tax-and-benefits/council-tax-discounts>

&

<https://www.burnley.gov.uk/residents/council-tax-benefits/who-liable-pay-council-tax/council-tax-exemptions>

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

22. **Financial Implication 2020/21 – CTS changes**

20/21 – Increase in cost of scheme for Burnley Council from 17.5% to 16% = **£13k approx.**

21/22 – Further increase in cost of scheme for Burnley Council from 16.0% to 15.0%= **£9k approx.**

23. However, it is forecast this will be offset by additional income in each of these years of the new Council Tax Premium charges levied and collected in each of these financial years.

24. **Second homes discount**

None

POLICY IMPLICATIONS

25. These changes would result in policy amendments for the Council Tax Support scheme.

26. An Equalities Impact Assessment has been prepared is included in Appendix 3.

DETAILS OF CONSULTATION

27. Formal Consultation as detailed in the report.

BACKGROUND PAPERS

28. None

FURTHER INFORMATION

PLEASE CONTACT: Asad Mushtaq