



**Corporate Policy and  
Resources Committee**

**Date 13 December  
2018**

**Subject:** Local Council Tax Support Scheme for 2019/20 and Empty Property Charges

Report by:

Executive Director of Resources

Contact Officer:

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Purpose / Summary:

For Council to agree the Local Council Tax Support Scheme for West Lindsey District Council (WLDC) for 2019/20.

**RECOMMENDATION(S):** That members;

1. Note the contents of the report; and
2. Recommends that full council adopt Option 1 of the report for the Local Council Tax Support Scheme for West Lindsey District Council for 2019/20:
  - To cap council tax support to Band E
  - Award 100% council tax support to care leavers on a low income until they reach the age of 25 years
  - to apply any new legislative requirements and the uprating of the non-dependent charges (these are detailed at 3.4 option 4), applicable amounts and household allowances and deductions, used in the calculation of the reduction in accordance with the Department for Works and Pensions (DWP) annual up-ratings.
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3. Recommends that full council adopt Option 2 of the report for the empty property charges for council tax for West Lindsey District Council for 2019/20:

- In accordance with new government legislation increase the amount charged in respect of properties that have been empty for 2 years or more from 150% to the maximum amount determined by Government (currently 200%).

## IMPLICATIONS

### **Legal:**

The Council has to determine a local scheme for council tax reduction by 31 January 2019.

### **Financial : FIN/144/19/CC**

The cost of the Local Council Tax Support scheme (LCTS) is shared between Lincolnshire County Council (75%), West Lindsey District Council (12.5%) and Lincolnshire Police (12.5%).

- It is forecast that the LCTS scheme for 19/20 will incur additional costs of approximately £0.032m;
- To comply with the Council budget guiding principles, a scheme has to be designed that aims to fit the level of available government grant. The Local Council Tax Support Grant has now been rolled into the Revenue Support Grant and it is no longer possible to identify the funding which directly relates to this area. It is therefore desirable that the financial impact is cost neutral or can demonstrate financial savings;
- The scheme that is chosen by the Council will need to be monitored to ensure the level of council tax collection remains comparable with previous years;
- Capping council tax support to Band E properties will currently affect 8 council tax support claimants however these are customers who are living in the highest band of property;
- In the light of new legislation the council tax empty property charges have also been considered with a view to increasing the long term empty property charge on a property that has been empty for 2 years or more from 150% to the maximum amount determined by government (currently 200%);
- Currently we charge a total of £378,713.16 in respect of 198 long term empty properties. If we increase this charge to 200% a total of £504,950.88 will be collectible creating a financial gain of £126,237.72.

### **Staffing :**

The changes are minimal and therefore should not impact on staff.

**Equality and Diversity including Human Rights: None.**

**Risk Assessment :**

- a. If Council Tax Support caseloads rise or fall then WLDC and the other major precepting authorities will have to absorb those expenditure variations through the Collection Fund. It is therefore vital that the financial implications of the scheme decisions made are realistic in terms of bridging the funding gap.
- b. If there is a downturn in the local economy, or where there has been major redundancies if a major company ceases trading, Council Tax Support caseloads could rise significantly.
- c. Each council must approve their local Council Tax Support scheme by 31<sup>st</sup> January otherwise a default scheme similar to the current Council Tax Benefit scheme will be imposed which will cause funding gaps between the amount of grant received and the amount of council tax support entitlement.
- d. The amount of council tax support awarded last year was just over £6 million but forecasts indicate this will be slightly lower this year. Whilst this is not a budget saving it will contribute towards the savings required by 2020.

**Climate Related Risks and Opportunities :**

None arising from this report.

**Title and Location of any Background Papers used in the preparation of this report:**

Local Government Finance Act 2012

Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

**Call in and Urgency:**

**Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

Yes

No

**Key Decision:**

Yes

No

## **Executive Summary**

Council Tax Benefit was a national scheme providing means-tested financial help to households to pay their Council Tax liability. This was abolished on 31 March 2013 and every Local Authority was tasked with designing a local scheme of financial support to replace Council Tax Benefit.

West Lindsey District Council consulted with the residents of the district and the precepting authorities and adopted a local scheme approved by full Council in January 2013. This scheme was re-adopted for 2014/15 and for 2015/16 and, following further consultations in 2015, minor amendments to the scheme were agreed for 2016/17. No changes were made to the scheme in 2017/18 but amendments were made in 2018/19 in anticipation of Universal Credit implementation. As at 1 October 2018 the amount of Council Tax being collected from claimants this year has increased by 2.74% compared to last year proving the success of the changes.

Re-modelling of the scheme has taken place and a consultation with suggestions for possible amendments to the scheme has been conducted. The consultation took place between 22 August 2018 and 3 October 2018 with residents, voluntary groups, stakeholders and citizen panel members taking part. The consultation was available both as an on-line consultation and via hard copy.

Part of the consultation process also included two technical changes to council tax; considering abolishing the empty property exemption currently payable for up to 2 months and increasing the long term empty property premium from 150% to the maximum amount determined by Government (currently 200%).

In order to help inform the decision-making process the results of the consultation are included in this report.

The finalised local council tax support scheme must be approved and adopted by Full Council by 31<sup>st</sup> January 2019 at the very latest.

## 1. Background

1.1 The Local Government Finance Act 2012 replaced Council Tax Benefit with a Council Tax Support scheme. Unlike Council Tax Benefit (CTB) which is set by Central Government, the new Council Tax Support scheme must be defined by individual Local Authorities (albeit with much central prescription).

1.2 Pensioners are protected by Government which means 'local schemes' must give the same level of assistance to pensioners awarded to them as that under the old Council Tax Benefit scheme. West Lindsey District Council also made the decision, since 2013/14, to protect those in receipt of a War Pension and those claimants receiving a Disability Benefit and the proposal is not to change this decision.

1.3 **The changes suggested in the consultation for the council tax support scheme for 2019/20 were:**

	<b>Change</b>
1	Cap council tax support to Band D
2	Cap council tax support to Band E
3	Award 100% council tax support to care leavers on a low income until they reach the age of 25 years.

1.4 Appendix A details the estimated cost of the council tax support scheme for the year 2018/19.

1.5 **The changes suggested in the consultation in respect of empty properties for 2019/20 were:**

	<b>Exemption/Discount</b>	<b>Council Tax Paid under Current Scheme</b>	<b>Council Tax to be paid under proposed scheme</b>
1	Empty and unfurnished properties	2 months NIL After 2 months 100% charge.	100% charge immediately property becomes empty
2	Empty over 2 years	After 2 years 150% charge	After 2 years the maximum amount determined by government (currently 200% charge)

- 1.6 Consultation took place over a 6 week period from 22 August 2018 to 3 October 2018. The consultation questionnaire was available on the West Lindsey website and in paper format at the West Lindsey office at Gainsborough and at the benefit surgery at Welton. It was also sent to all 1,450 members of the Citizens Panel.
- 1.7 Benefit Officers who attend the benefit surgery and officers working at the Guildhall promoted the consultation offering assistance to residents to complete the survey.

## **2. Results of the Consultation**

- 2.1 1450 consultation questionnaires were issued to the Citizens' Panel. This panel consists of residents from all areas of the district who experience differing financial and personal circumstances, some of whom are currently in receipt of council tax support.

The Benefits and Revenues teams also issued approximately 30 hard copy questionnaires to council tax support claimants who visited the offices at Gainsborough or the surgery at Welton. Claimants were also offered the opportunity to complete the consultation on-line via the West Lindsey digital hub or via a Benefit Assessor.

A total of 979 replies were received in response to the consultation, 776 received from the Citizens' Panel members and 203 others. This equates to a 67% response rate from the Citizens' Panel members.

The descriptions of the households completing the consultation were broken down as below:

- 705 of respondents are families with one or more dependent children;
- 52 are single person households or couple without children;
- 37 are households that include someone who is disabled;
- 18 are lone parent households with one or more dependent children;
- 4 are a carer in a household with one or more dependent children;
- 4 are households that include someone entitled to a war pension;
- 159 respondents detailed their circumstances were not one of the above.

### **2.2 Question 1**

**Currently Council Tax Support is paid in respect of all council tax properties regardless of what council tax band the property is in. Do you think council tax support should be restricted to any of the bands indicated below?**

**Band D**

**Band E**

**No Limit**

A third of the responders 319 (33.3%) agreed that council tax support should be restricted to Band D properties.

However, 525 (54.9%), over half of responders felt that council tax support should be restricted to Band E properties.

Only 113 (11.8%) did not feel there should be any restrictions on council tax support.

### 2.3 Question 2

**Currently young adults leaving local authority care pay council tax in accordance with the council tax support scheme once they reach the age of 18 years. However, it is recognised that these individuals often require additional support. Do you think it would be fair and reasonable to award all care leavers on a low income full council tax support until they reach the age of 25?**

**Yes**

**No**

**Don't know**

This question had the most overwhelming majority being 908 (92.7%) of responders agreeing that young care leavers on a low income should receive full council tax support until they reach the age of 25.

Only 52 (5.3%) were of the opinion that care leavers should not receive support and 19 (1.9%) responded that they did not know whether they should receive support or not.

Appendix B details the estimated cost of awarding council tax support to all 18 care leavers in the district had this been awarded in 2018/19.

### 2.4 Question 3

**Currently when they become empty, properties receive a 2 month exemption from council tax. Do you think that this exemption should be abolished and the charge become due immediately?**

**Yes**

**No**

**Don't know**

Less than a quarter, 224 (22.9%) of responders, agreed that the 2 month empty property exemption should be abolished and the charge should become due immediately.

However, 747 (76.3%) disagreed and did not think the exemption should be abolished. Only 8 (0.8%) of responders said they did not know whether this should be abolished or not.

### 2.5 Question 4

**Currently council tax is charged at 150% when a property has been empty for 2 years or more. Do you think that West Lindsey DC should increase this council tax charge to 200% on properties that have been empty for 2 years or more?**

**Yes**

**No**

**Don't know**

Another overwhelming response of 905 (92.4%) responders felt that the council should levy a 200% charge on empty properties once they have been empty for 2 years or more.

65 (6.6%) disagreed that the charge should increase and only 9 (0.9%) responders stated that they did not know whether it should increase or not.

## **2.6 Comments**

Some of the comments received in relation to the consultation were:

- any changes made should not impact on those already financially disadvantaged. Yes, discourage people from leaving properties empty for long periods;
- Council tax support/help should only be paid to those in Band A, where people on low incomes already finding trouble paying for a basic living
- Don't understand what support means on Council tax? I thought we paid according to property, why would people get support on a property beyond their means;
- Support must always be there for those who need it most e.g. under 25s, low income, benefits and single people. If a house is owned and left empty or a landlord they shouldn't get any council tax breaks. The options are very restricted for question 1 - I suggest Band C and below should be restricted as occupants could help themselves by downsizing if in true difficulty.

## **3. Options for the council tax support scheme**

Taking into account the responses to the consultation there are 4 options for consideration for the 2019/20 scheme:

	<b>Change</b>
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1	Cap council tax support to Band E, award 100% council tax support to care leavers on a low income until they reach the age of 25 years and make legislative requirements.
2	Cap council tax support to Band E and make legislative requirements
3	Award 100% council tax support to care leavers on a low income until they reach the age of 25 years and make legislative requirements
4	Make no changes to the current scheme apart from legislative requirements

### 3.1 Option 1

- To cap council tax support to Band E
- Award 100% council tax support to care leavers on a low income until they reach the age of 25 years
- to apply any new legislative requirements and the uprating of the non-dependent charges (these are detailed at 3.4 option 4), applicable amounts and household allowances and deductions, used in the calculation of the reduction in accordance with the Department for Works and Pensions (DWP) annual up-ratings

Band	CTR claims	Non Pensioners or Vulnerable	Amount of CTR at Band F and above	Amount of CTR if capped	Difference
F	30	6	10,051.61	8,275.68	1,775.93
G	7	1	1,049.32	369.64	679.68
H	1	1	2,382.95	1,363.61	1,019.34
		Total	13,483.18	10,008.93	3,474.95

Advantages	Disadvantages
It is a clear and simple change to the current scheme.	Some claimants may be disadvantaged if they are currently in receipt of council tax support at a property banded higher than a Band E.
It is administratively simple.	
It will ensure young, vulnerable adults moving / transgressing from care into living alone receive financial assistance towards their living costs.	
It ensures claimants do not take advantage by moving into this	

district into high banded properties when other local authorities are already capping the support they award.	
This option ensures the council tax support rules stay consistent with the Department for Work and Pensions rules which avoids confusion for claimants.	

### 3.2 Option 2

- To cap council tax support to Band E
- to apply any new legislative requirements and the uprating of the non-dependent charges, (these are detailed at 3.4 option 4), applicable amounts and household allowances and deductions, used in the calculation of the reduction in accordance with the Department for Works and Pensions (DWP) annual up-ratings

Advantages	Disadvantages
It is a clear and simple change to the current scheme.	Some claimants may be disadvantaged if they are currently in receipt of council tax support at a property banded higher than a Band E.
It is administratively simple.	
It ensures claimants do not take advantage by moving into this district into high banded properties when other local authorities are already capping the support they award.	
This option ensures the council tax support rules stay consistent with the Department for Work and Pensions rules which avoids confusion for claimants.	

### 3.3 Option 3

- Award 100% council tax support to care leavers on a low income until they reach the age of 25 years
- to apply any new legislative requirements and the uprating of the non-dependent charges, (these are detailed at 3.4 option 4), applicable amounts and household allowances and deductions, used in the calculation of the reduction in accordance with the Department for Works and Pensions (DWP) annual up-ratings

Advantages	Disadvantages
It is a clear and simple change to the current scheme.	
It is administratively simple.	
It will ensure young, vulnerable adults moving / transgressing from care into living alone receive financial assistance towards their living costs.	
This option ensures the council tax support rules stay consistent with the Department for Work and Pensions rules which avoids confusion for claimants.	

### 3.4 Option 4

To make no change to the current scheme, adapted from the scheme applied to people of pension age, for another 12 months but to apply any new legislative requirements and the uprating of the non-dependent charges (as detailed below), applicable amounts and household allowances and deductions, used in the calculation of the reduction in accordance with the Department for Works and Pensions (DWP) annual up-ratings.

The current non-dependent deductions (stipulated by the Department for Works and Pensions for 2018/19 are detailed below along with estimated upratings anticipated for 2019/20.

<b>Non Dependent Deduction 2018/19</b>	<b>Estimated Deduction 2019/20</b>
£11.65	£11.70
£ 9.74	£ 9.80
£ 7.72	£ 7.75
£ 3.83	£ 3.85

Advantages	Disadvantages
There has been a slight reduction in the number of households claiming council tax support which has reduced the costs of the scheme. In September 2017 we had 6,892 claimants and in September 2018 there were 6,866 claimants.	Very small saving to the council
Collection rates are being maintained under the current scheme.	

This option ensures the council tax support rules stay consistent with the Department for Work and Pensions rules which avoids confusion for claimants.	
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#### 4. Options for the council tax – technical changes in respect of empty properties

Taking into account the responses to the consultation there are 4 options for consideration for the empty property charges from 2019/20.

	<b>Change</b>
1	Abolish the 2 month empty property exemption and charge full council tax once a property becomes unoccupied.
2	In accordance with new government legislation increase the amount charged in respect of properties that have been empty for 2 years or more from 150% to the maximum amount set by Government (currently 200%) but add some exceptions to the increase provided certain criteria are met.
3	In accordance with new government legislation increase the amount charged in respect of properties that have been empty for 2 years or more from 150% to the maximum amount set by Government (currently 200%) with no exceptions.
4	Make no changes to the current charges

##### 4.1 Option 1

Abolish the 2 month empty property exemption and charge full council tax once a property becomes unoccupied.

There are currently 168 properties in receipt of a 100% exemption because they have been empty between 0 and 2 months.

Band	No of properties	Annual Charge	Possible Financial Gain for 2 months charge	Possible Total Gain £
A	95	1,104.12	184.02	17,481.90
B	23	1,288.14	214.69	4,937.87
C	26	1,472.16	245.36	6,379.36
D	16	1,656.18	276.03	4,416.48
E	4	2,024.22	337.37	1,349.48
F	4	2,392.26	398.71	1,594.84
G	0	2,760.30	460.05	0
H	0	3,312.36	552.06	0

Total	168		£36,159.03
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The total sum above assumes all these properties would have been empty for the full 2 months before being charged when, in reality, some will actually only be empty for a matter of days before being occupied.

This appears to be an unpopular suggestion with the respondents of the consultation with less than a quarter agreeing to this change.

## 4.2 Option 2

In accordance with new government legislation increase the amount charged in respect of properties that have been empty for 2 years or more from 150% to the maximum amount set by Government (currently 200%).

No of a/cs	18/19 Charge	50%	Total 150%	Total Amount	Total 200%	Total Amount	Difference
131	1,104.12	552.06	1,656.18	216,959.58	2,208.24	289,279.44	72,319.86
26	1,288.14	644.07	1,932.21	50,237.46	2,576.28	66,983.28	16,745.82
21	1,472.16	736.08	2,208.24	46,373.04	2,944.32	61,830.72	15,457.68
8	1,656.18	828.09	2,484.27	19,874.16	3,312.36	26,498.88	6,624.72
5	2,024.22	1,012.11	3,036.33	15,181.65	4,048.44	20,242.20	5,060.55
1	2,392.26	1,196.13	3,588.39	3,588.39	4,784.52	4,784.52	1,196.13
4	2,760.30	1,380.15	4,140.45	16,561.80	5,520.60	22,082.40	5,520.60
2	3,312.36	1,656.18	4,968.54	9,937.08	6,624.72	13,249.44	3,312.36
198				378,713.16		504,950.88	126,237.72

This option is popular with respondees as over 92% favoured the option to increase the over 2 year empty property charge and comments included:

- Yes, discourage people from leaving properties empty for long periods
- empty houses should be bought back to the housing market , waiting for prices to rise is unacceptable tax them very hard
- Empty properties is a tricky one. If the owners are actively trying to sell a property it seems unfair to charge more than basic council tax but if not then 200% may encourage owners to either, rent out the property or sell.
- Houses should not be left empty when we have a shortage of housing, this would discourage
- I think an increase to 200% might be a good idea but it would be good if there could be criteria put in place to avoid purchasers of long term empty properties being penalised, i.e. give them some time to bring the property back into use before adding the premium but they would have to show evidence of this.

- Please consider increasing the charge on property that has been empty for more than five years by 500%, or by an additional 100% for every year the property has been empty (if allowed)

The Government has suggested that increasing the premium allows Local Authorities to strengthen the incentive for owners of empty properties to bring them back into use. Their guidance does however state that the premium should not be used to penalise owners whose property is genuinely on the market for sale or to let and therefore the reasons for a property being long term empty should be taken into account.

Taking the above into consideration exceptions to the premium should include properties that are actively up for sale and have been so for at least 3 months or properties where occupation is hindered due to legal reasons beyond the control of the owner.

These exceptions will be considered by the council tax team and only granted where suitable evidence is provided by the owner.

#### **4.3 Option 3**

In accordance with new government legislation increase the amount charged in respect of properties that have been empty for 2 years or more from 150% to the maximum amount set by Government with no exceptions.

This would be in direct contradiction of the Government's best practice guidance for dealing with the empty property premium.

#### **4.4 Option 4**

Make no changes to the current council tax charges.

### **5. Recommendations**

It is recommended that the Members consider the local council tax support scheme and the technical changes for council tax separately.

There are 4 options for council tax support and 4 options for council tax empty property charges.

#### **5.1 Council Tax Support**

In respect of council tax support agree to Option 1 which is the favoured option by the consultees and will ensure council tax support is paid to those claimants in need of the assistance.

#### **5.2 Council Tax Technical Changes**

In respect of council tax technical changes agree to Option 2 which again is favoured by consultees and will allow for some exceptions to the premium. This would be in accordance with government best practice guidance and in line with comments some consultees have made.

## **6. Local Council Tax Support Scheme 2019/20**

It is recognised that whatever decision is reached this would only be a scheme for 2019/20. A review of the scheme is undertaken annually when more knowledge of the impact of that year's scheme and collection rates are available. Monitoring will also take place to analyse the impact and any unintended consequences it has had on council taxpayers and benefit recipients.

## Appendix A – Forecast Cost of 2018/19 Scheme

	<b>Total Cost</b>	<b>LCC – 75%</b>	<b>WLDC – 12.5%</b>	<b>LPA – 12.5%</b>
<b>Cost of 2017/18 Scheme</b>	£5,924,118 (used RRV403 1.4.18 figures)	£4,443,088	£740,515	£740,515
<b>Forecast cost of the 2018/19 LCTS scheme at 31.10.18</b>	£6,173,317 (Used CTB1 figures)	£4,629,988	£771,665	£771,665
<b>Forecast cost of 2019/20 LCTS scheme at 31.10.18</b>	£6,432,596	£4,824,446	£804,075	£804,075

## Appendix B – Estimated cost of Care Leavers

	<b>Total Cost</b>	<b>LCC – 75%</b>	<b>WLDC – 12.5%</b>	<b>LPA – 12.5%</b>
<b>Number of care leavers at 31.10.18 – estimated Band A charge</b>	18 x £1,104.12 = £19,880	£14,910	£2,485	£2,485