

LONDON BOROUGH OF BRENT

MEETING OF THE EXECUTIVE

12 JULY 2004

REPORT FROM THE DIRECTOR OF FINANCE

COUNCIL TAX – SPECIAL LOCAL DISCOUNTS

FP REF BFS-03/04-73

1. SUMMARY

- 1.1 The Local Government Act 2003 amends the Local Government Finance Act 1992 to give Councils the discretion to grant special local discounts for Council Tax. This power came into force on 18 December 2003. The Council can either define a class or classes of cases that will qualify for a discount and/or can consider applications individually.

2. RECOMMENDATIONS

- 2.1 Members are asked to agree:
- (i) Not to specify any classes of cases that will qualify for a local discount at this stage.
 - (ii) That individual applications for local discounts will only be granted where the applicant shows that they have or will suffer exceptional hardship in the event that a local discount is not granted.
- 2.2 Members are asked to agree that individual applications for local discounts to be determined under the Director of Finance's delegated powers.

3. DIVERSITY IMPLICATIONS

- 3.1 There is not expected to be any adverse impact as all the existing Council Tax discounts are being retained.

4. FINANCIAL IMPLICATIONS

- 4.1 Any special local discounts granted have to be funded from the General Fund. The Council's Tax Base cannot be reduced by the amount of special local discounts and therefore there will not be any increased Revenue Support Grant to make up the difference. In other words, the general body of Council Tax payers have to fund any local special discounts awarded.

5. STAFFING IMPLICATIONS

- 5.1 None

6. LEGAL IMPLICATIONS

- 6.1 Section 76 of the Local Government Act amends the Local Government Finance Act 1992 by adding a new section 13A. Section 13A provides that a billing authorities may reduce as it thinks fit the amount which a council tax payer is liable to pay in respect of a dwelling situated in its area. This includes a power to reduce that liability to nil. The power may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to a specified extent.
- 6.2 Under the Local Government Act 2000 all local authority powers are the responsibility of the Executive unless legislation specifically provides to the contrary. There is no such provision in respect of this new power which is therefore to be exercised by the Executive.
- 6.3 The 2004/05 budget report referred to the new power to grant local discounts but did not make any special provision for any local discounts that may be granted. Therefore, to fund any discounts, savings would have to be made elsewhere in the budget. Members are asked in this report to consider whether they wish to specify a class or classes of cases where a discount will be given and/or to specify criteria by reference to which individual applications for a discount should be considered.
- 6.4 No guidance has been issued on how this new power should be exercised.
- 6.5 In determining whether, and if so how, to exercise this new power the Council must act reasonably taking into account relevant considerations and disregarding irrelevant considerations. It will be relevant for members to consider both the interests of council tax payers who might benefit from any class discount, or from the grant of an individual exemption, and the interests of council tax payers as a whole who will effectively fund any local discounts granted.

7. DETAILS

- 7.1 The Local Government Act 2003 inserts a new Section 13A into the Local Government Finance Act 1992 (this is the Act that introduced Council Tax).
- 7.2 The new Section 13A empowers billing authorities to grant local discounts specific to their area. This is in addition to the national discounts that already exist i.e. 25% single person discount and 10% discount for unoccupied properties.
- 7.3 Discounts can either be granted by class or individually and are clearly intended to enable billing authorities to respond to local and individual circumstances which are not covered by the existing discounts.

- 7.4 The Forward Plan Select Committee considered the issue in this report on 1st June 2004 and recommended that applications should be considered individually, and that if an application does not meet the specified criteria, it will be judged on its own merit.

Class Discounts

- 7.5 A class discount would be one which applied automatically if foreseeable circumstances specified by the Executive applied to a particular tax payer. Some examples of possible classes are set out below:
- (i) A representative of the ODPM informally suggested that a class might be adopted to apply where a dwelling has been affected by flooding and the occupier(s) have to live upstairs for a period. In these circumstances the occupier could apply to the Valuation Officer for a reduction in their Council Tax band. However, it is unlikely that the Valuation Officer would agree to this as it is only a temporary situation. The occupier also would not qualify for the 10% unoccupied discount as they are still in occupation.
 - (ii) A Council Tax payer could be forced to move because of the effects of foot and mouth disease or some other event. If they remain the owner of the dwelling they have left, and it remains unoccupied, the Council Tax payer would be liable to pay 90% of the full Council Tax, but a local discount could be applied to reduce the liability.
- 7.6 If the Executive specifies new local discount class or classes, they also need to specify the % discount that will apply. If class(es) were specified, power could be delegated to the Director of Finance to decide if an application falls within the class and to grant the discount if appropriate.
- 7.7 It is not recommended by officers that a class or classes of discounts should be specified at this stage. Officers are of the view that it would be prudent to deal with applications on an individual basis until sufficient information exists from such applications to inform consideration of what, if any, class(es) it would be appropriate to specify for Brent.

Individual Discounts

- 7.8 In addition to the examples above, a representative of the ODPM has indicated informally that individual discounts could be considered where the Council Tax payer has suffered hardship but Council Tax Benefit would not apply. For example:
- (i) A person who receives income support or job seekers allowance but does not receive 100% Council Tax Benefit because of a non-dependant living at the property, and the non-dependant does not contribute anything towards the household expenses.

- (ii) A liability has arisen which is not covered by Council Tax benefit but the liable person is suffering from severe illness, serious injury, or severe old age which is causing them financial difficulties but for which they receive no special benefits.

7.9 The Executive is asked to consider the circumstances in which it would be appropriate to grant individual local discounts and the process through which such applications should be determined. Individual applications could be brought to the Executive for determination or the Director of Finance could determine them under delegated powers. The Executive have indicated that they wish this determination to be done under delegated powers with a review after six months.

7.10 In view of the potential impact on other council tax payers it is recommended by officers that local discounts be granted only in exceptional circumstances of hardship.

8. BACKGROUND INFORMATION

8.1 The Local Government Act 2003.

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