

COUNCIL

Tuesday 21 February 2023

Present:-

The Right Worshipful the Lord Mayor Councillor Mrs Yolonda Henson (Chair)
Councillors Asvachin, Atkinson, Bennett, Bialyk, Branston, Denning, Ellis-Jones, Foale, Ghusain, Hannaford, Harvey, Holland, Jobson, Knott, Lights, Mitchell, K, Mitchell, M, Moore, D, Morse, Oliver, Packham, Pearce, Read, Rees, Snow, Sparling, Sutton, Vizard, Wardle, Warwick, Williams, Wood and Wright

Also Present

15 **NOTICE OF MOTION BY COUNCILLOR M. MITCHELL UNDER STANDING ORDER NO. 6**

Councillor M. Mitchell, seconded by Councillor Read, moved a Notice of Motion in the following terms:-

Council Tax exemptions and discounts.

Request Exeter City Council to lobby both of our local Members of Parliament, the Local Government Association and the Department for Levelling Up, Housing and Communities to require central Government to include in future annual Local Government financial settlements full reimbursement to Local Authorities, Police and Crime Commissioners and Fire and Rescue Services for losses of council tax income due to nationally legislated exemptions and discounts.

In presenting his Motion, Councillor M. Mitchell made the following points:-

- the Motion aimed to restore some fairness within the Council tax regime, so that Councils could determine spending priorities in their areas. Successive Governments had viewed Council Tax as the main source of local government funding with Councils increasingly required to compete with other local authorities for Government funding for projects. As a result, some Councils had used other income sources such as establishing property companies;
- although Governments over the years had introduced exemptions and discounts through a Council Tax support scheme, each local authority was impacted differently. An example was the Government reimbursing local authorities for the loss of council tax on the annexe or 'granny flat.' Exeter had just six such annexes with a total of £7,632 income recovered. In East Devon there were 107 such annexes or granny flats exemptions and accordingly the District Council received a greater amount;
- one of the principles behind the Motion was that each local authority should be fully reimbursed by the Government for the losses of council tax income due to nationally determined exemptions and discounts;
- in Exeter there were currently 7,500 exempt properties and the loss of Council Tax from these amounted to approximately £13 million a year to the precepting authorities. Over 20,000 people in Exeter received discounts largely the 25% single occupier discount and the total sum involved is nearly £9 million, and 4,450 individuals are assisted by the means tested local support scheme which equates to £7 million;

- whilst there was an element of Government grant funding formula, it was not a recognisably accountable system; and
- an equitable Council Tax system should be a means to ensure proper accountability.

The Portfolio Holder for Communities and Homelessness Prevention, in supporting the Motion, referred to previous lobbying for reforms of the Council Tax system. Introduced some 20 years ago it was no longer fit for purpose and, whilst it was appropriate that there continued to be exemptions for those needing support, there should be greater Government support for local authority financing.

Councillor Jobson, as leader of an opposition group, stated that the Government should also be lobbied in respect of commercial operators of Houses in Multiple Occupation (HMO's) and Purpose Built Student Accommodation (PBSA) whose properties were occupied by students who were one of the exempt classes. In respect of HMOs, a change in the system might encourage some landlords to rent to a wider range of tenants than students.

The Leader, stated that he would be supporting the Motion and advised that Council Tax exemptions had originally been put in place to support families sending their children to university and living away but that it was now a scheme that was being abused.

Councillor M. Mitchell, in concluding, hoped that the premise of the Motion would offer a practical and deliverable system to improve local authority accountability. He agreed with the Member's comments in respect of commercial operators.

Councillor M. Mitchell commended the Motion to Council.

The Notice of Motion was put to the vote and CARRIED unanimously.

(The meeting commenced at 8.10 pm and closed at 9.50 pm)

Chair



Department for Levelling Up, Housing & Communities

Lee Rowley MP

*Parliamentary Under Secretary of State for Local
Government and Building Safety*

2 Marsham Street
London
SW1P 4DF

Our reference: 26958762

Simon Jupp MP
House of Commons
London
SW1A 0AA

31 May 2023

Dear Simon,

Thank you for your letter of 10 March on behalf of, John Street of Exeter City Council, regarding council tax discounts and exemptions being accounted for in the Local Government Finance Settlement. I am replying as this matter falls within my ministerial responsibilities. Please accept my apologies for the delay in responding to you.

I am grateful for you getting in touch and please thank Mr Street for sharing his concerns and for sharing the views on council tax which were expressed at the Exeter City Council meeting.

The Government recognises concerns that discounts and exemptions might be seen to create a shortfall in income for local authorities. Each year, the Local Government Finance Settlement sets out how much funding will be available to local authorities for the core services they provide. The distribution of this funding takes into account both the relative costs of meeting demand for services and the local resources a council has available to fund services. The methodology recognises the impact of the council tax exemption on local authorities' income and allocations are higher, relative to a situation in which the exemption was not in place.

Differing abilities to generate income from council tax increases are taken into account when allocating funding in the Local Government Finance Settlement. To assess the amount of funding required for local government ahead of fiscal events, we estimate the additional resource required to fund the expenditure needs of local authorities. We use a range of forecasts and indices to estimate demographic and unit cost pressures facing local government.

We have also equalised against the adult social care precept since its introduction, to level the playing field between authorities who can raise different amounts from the precept. We do this through redistributing a proportion of the Social Care Grant and the improved Better Care Fund. On the issue of reform to the council tax system, we recognise that now is the time for stability and as such we have confirmed through our policy statement that we will not be proceeding with the Review of Relative Needs and Resources or Business Rates Reset during this spending review period. The government remains committed to improving the local government finance landscape in the next Parliament, and we will work closely with local partners and take stock of the challenges and opportunities they face, before consulting on any potential funding reform.

Thank you for writing in on this important matter.

Yours ever,

LEE ROWLEY MP

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