

Key Decision Required:	Yes	In the Forward Plan:	Yes
-------------------------------	------------	-----------------------------	------------

CABINET

7 NOVEMBER 2012

JOINT REPORT OF THE PORTFOLIO HOLDERS FOR BENEFITS AND REVENUES AND FINANCE AND ASSET MANAGEMENT

A.7 COUNCIL TAX: - DISCRETIONARY DISCOUNTS FOR DOMESTIC PROPERTIES (Report prepared by Nigel Borley)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To recommend to Council the Council Tax discounts for 2013/2014 in respect of second homes, long term empty properties, locally defined discounts and to accommodate a new delegated power required following the National Non-Domestic Rate reforms.

EXECUTIVE SUMMARY
<p>The Council Tax Base calculation, to be approved by the Portfolio Holder for Finance and Asset Management, must take into account the decision on discounts for second homes, long-term empty properties and the option to set local discounts. The discretionary discounts decision falls to the Council following a recommendation from Cabinet and must be made on an annual basis.</p> <p>The Government intends to introduce a range of options in the Local Government Finance bill and subsequent regulations. These options will enable billing authorities to choose the percentage discount on empty properties and second homes from 2013/2014.</p> <p>Existing exemption classes A and C will be abolished and be replaced by local discounts.</p> <p>The recommendations made in this report will help to support the anticipated increased cost of the new Local Council Tax Support scheme (LCTS).</p> <p>If the Council fails to make a decision on local discounts the default position would be a 50% charge on both empty properties and second homes (with no exemption on empty properties). This would cause significant financial difficulty for all the preceptors and also introduce many administrative problems.</p> <p>Currently Essex County Council (ECC) contributes towards the expenditure incurred by Tendring District Council (TDC) on concurrent functions by paying 50% of their increased share of the second homes charge to TDC.</p> <p>For 2013/2014 it is also requested that the power to approve the National Non-Domestic Rate form NNDR1 be delegated to the Portfolio Holder for Finance and Asset Management as this will also form part of the budget process due to the introduction of the local retention of business rates.</p>
RECOMMENDATION
The Cabinet recommends to the Council that for the 2013/2014 financial year:

In respect of Council Tax Discounts:-

- a) Where a property is unoccupied, unfurnished and either needs or is having major repairs and/or structural alterations, a local discount of 100% under section 11a of the Local Government Finance Act 1992 for up to one year.
- b) Where a property is unoccupied and unfurnished, a local discount of 0% under section 11a of the Local Government Finance Act 1992 for up to six months resulting in a 100% charge.
- c) Where a property is unoccupied and unfurnished for more than six months a 0% discount is applied resulting in a 100% charge.
- d) Where a property is unoccupied and furnished, 0% discount is allowed resulting in a 100% charge.

That in respect of NNDR reforms:

- e) That the approval of the NNDR1 data for 2013/14 be delegated to the Portfolio Holder for Finance and Asset Management.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Setting the second homes and long-term empty property discounts is an integral part of the budget setting process. The Council's budgets are prepared with the aim of directly and indirectly supporting the key objectives of the Corporate Strategy. One of those key objectives is to provide affordable and decent homes. It is hoped that by setting the Council Tax at 100% charge from the first day that a property becomes empty, that owners will be encouraged to minimise the period during which they remain empty and increase the availability of homes in the district.

FINANCE, OTHER RESOURCES AND RISK

Finance and other Resources

The Council Tax on second homes must be charged at a minimum of 50% of the full charge but may be charged up to 100%. Local authorities (including major precepting authorities) retain any additional income received by increasing the charge on second homes from the minimum charge. An agreement has been signed with ECC under section 136 of the LGA 1972 as they wish to contribute towards the expenditure incurred by TDC on concurrent functions. The amount the County Council currently pays to TDC is 50% of any budgeted additional income it receives from the Tendring area in respect of second homes.

Changes to the Council's income due to the introduction of the Local Council Tax Support Scheme, local retention of business rates and new homes bonus have made the projection of income from second homes difficult to predict. The anticipated income for the current financial year is expected to total £443,692. This sum represents a substantial part of the Councils' income. The 10% discount that this report proposes to remove on second homes represents additional income of approximately £93,515. This could increase the sum received from second homes to £537,207.

There are not any similar agreements with the Police and Fire Authorities, as section 136 of the LGA 1972 does not apply. However the Police have in the past made additional resources

available to Tendring's Crime and Disorder Reduction Partnership.

No agreements have been made in relation to the income from long-term empty properties as income received from taxpayers by the Council or the major precepting authorities is assessed by the Government and offset from any Revenue Support Grant. (RSG)

The Council is required to make a return to the Government of band D equivalents on which it is currently able to derive income from Council Tax. This return was submitted to Government by the statutory deadline in October, based as required, on the then current position of 100% charge on empty properties (after any exemption period) and a 90% charge on second homes. The Government uses this information to calculate any entitlement to Government funding and the new homes bonus.

New Homes Bonus

A key factor in the calculation of any New Homes Bonus due to the Council is the number of empty properties. The more empty properties there are the lower the award will be.

Risk

The risks involved in the decisions to be made are both financial and social. The level of discounts allowed has a direct impact on the amount of money the Council collects while the effect of persuading a property owner to sell, let or occupy a property has a local effect on the neighbourhood.

If no decisions are made for any discounts the default position of a 50% discount would be applied. This would represent a considerable difference to the projected Council's taxbase which is based on 100% charge on empty properties and second homes and this would result in a significant shortfall in income.

LEGAL

The Finance Portfolio Holder has delegated power to set the Council Tax Base. However, to be able to do this, the discounts in respect of second homes, long term empty properties and the need for any locally defined discounts have to be determined. Under the Local Government Act 2003 (LGA 2003) the discounts have to be set annually by the Full Council.

A new delegated power is requested to approve the form NNDR1 that estimates the following years' income for National Non Domestic Rates.

Current exemption types A and C arise from Section 4 of the 1992 Local Government Finance Act and are detailed in the statutory instrument Council Tax (Exempt Dwellings) order 1992/558.

The Government's response to the consultation on the Technical Reform to Council Tax states that an enabling measure has been included in the Local Government Finance Bill and if enacted will amend section 11A of the Local Government Finance Act 1992. This is needed so that the Secretary of State may define a class of dwelling in respect of which an authority may determine a discount in the range 0% to 100%.

It is anticipated by the Department of Communities and Local Government that the bill will receive Royal Assent by the end of October 2012.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any

significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Crime & Disorder

Empty properties can attract vandalism and increase the potential for crime. If the larger amount of Council Tax charged on empty properties encourages their return to occupation this may also help towards the Council's aim of providing a safer community.

Equality and Diversity

The recommendation is to apply a 0% discount to all second homes and a 0% discount on empty properties, across the entire district. The implications will apply to all property owners and it is considered that there are no equality and diversity issues specific to this issue.

Wards Affected

All

PART 3 – SUPPORTING INFORMATION

BACKGROUND

Prior to April 2005 an automatic 50% discount was applied to both second homes and long-term empty properties.

The discretion to set different Council Tax discounts for these properties was introduced from 2005, together with an option to introduce locally defined discounts. The details behind these discretions are set out in the appendices to this report.

From 2005 the Council reduced the discount to 10% for both types of property resulting in a 90% charge.

From 1 April 2009 it was decided to give no discount to long term empty properties whilst leaving the second homes with the maximum charge allowed of 90%.

The Government intends to abolish exemption classes A and C from 1 April 2013 and allow Billing Authorities to introduce local discounts.

From 1 April 2013 it is proposed to remove the 10% discount on furnished properties and not replace the current exemption class C for the first six months of a property being empty of furniture.

No locally defined discretions have been introduced since the relevant legislation was implemented. However, for the 2013/2014 financial year this category will be used for the new Local Council Tax Support Scheme that will replace Council Tax Benefit (there is a separate report elsewhere on the agenda).

Summary of Current Position / Discounts

Current “Class A” exemption

Current position - Where a property is unoccupied, unfurnished and either needs or is having major repairs and/or structural alterations, there is an exemption from charge for up to one year.

Proposed position - This exemption under class A would be replaced by a new local discount to provide the equivalent value from 1 April 2013.

Current “Class C” exemption

Current position - Where a property is unoccupied, and unfurnished it is exempt from charge for up to six months.

Proposed position – This exemption under class C would be replaced by a local discount of 0% resulting in a 100% charge from the first day that a property becomes empty (unless another exemption classification applies).

Discount on empty and unfurnished property

Current position - Where a property is unoccupied and unfurnished for more than six months a 0% discount is applied resulting in a 100% charge.

Proposed position – That the 0% discount continues indefinitely, which is no change to the current position.

Discount on empty and furnished property

Current position - Where a property is unoccupied and furnished, a 10% discount is allowed resulting in a 90% charge.

Proposed position – That a 0% discount is allowed resulting in a 100% charge on properties that are unoccupied and furnished.

TECHNICAL REFORM OF COUNCIL TAX

The Government have issued a summary of their responses to the earlier consultation paper on technical reforms of Council Tax (see background papers) and indicated the changes they intend to introduce for 1 April 2013 by a combination of the Local Government Finance Bill and subsequent regulations.

Where billing authorities opt to introduce increased charges the additional revenue will be shared proportionately between the major preceptors (Essex County Council, Essex Police Authority, Essex Fire Authority and Tendring District Council).

Second Homes

Currently billing authorities have the option to reduce the discount on furnished unoccupied properties (second homes) to 10%.

The Government has confirmed its intention to increase the discretion to 0% to allow Councils to opt for a full charge if they so wish. Currently Tendring District Council has opted for the present maximum charge with a 10% discount.

It is proposed to remove the 10% discount to help support the additional costs incurred through the introduction of the new Local Council Tax Support scheme.

Empty Dwellings undergoing major repair

Currently these properties are exempt from charge under class A of Section 4 of the 1992 Local Government Finance Act for a maximum duration of 12 months.

The Government has confirmed its intention to abolish class A and instead to empower billing authorities to give a discount which they may set at 100% or any lower percentage which seems reasonable to them having regard to local circumstances. However, the Government is not persuaded that the maximum period for which the discount should be available should be a matter for local discretion and this will stay at 12 months.

It is proposed to replicate the 100% discount for the 12 months to allow more time for the effects of any change to be fully considered.

Vacant Dwellings

Currently these properties are exempt from charge under class C of Section 4 of the 1992 Local Government Finance Act for a maximum duration of 6 months.

The Government has confirmed its intention to abolish class C and instead to empower billing authorities to give a discount which they may set at 100% or any lower percentage which seems reasonable to them having regard to local circumstances. Authorities may also opt to reduce the duration of the discount to less than 6 months.

It is proposed to remove the 100% discount for the first six months of a property becoming empty to encourage property owners to return the property to occupation and to provide additional sums to help support the increased cost of the Local Council Tax Support scheme. It should be noted that other exemption classifications could be applicable so that the charge would not be imposed, for instance where the property is owned by a charity or student.

Empty Homes Premium

Currently empty homes can be granted a discount of 0% to 50% after any qualifying exemption period allowing for a maximum charge of 100% (which Tendring District Council has opted for). The Government have decided to allow billing authorities the option to increase the maximum charge by another 50% where the property has remained empty for at least two years. This would result in a maximum charge of 150%.

This could result in three phases of charges on an empty property.

- The first phase would be for a discount of 0% to 100% based on local discretions for up to six months,
- The second phase would be for a discount of 0% to 50% based on local discretions for up to two years if the third phase is enacted (or indefinitely if not),
- The third phase would be for a liability of 150% until the property was occupied.

It is proposed not to impose the additional 50% charge at the present time.

Discretions under Section 13A of the 1992 Local Government Finance Act

Currently this is an open discretion to allow billing authorities to specify any scenarios that they may wish to address. To date Tendring District Council has not specified any local discretions but this section will be used for the new Local Council Tax Support scheme that will replace the current Council Tax Benefit scheme that ends on 31 March 2013. This does not prevent the authority from having other discretions under this section but they would need to be fully funded by the billing authority.

SUMMARY OF PROPOSED DISCOUNTS FOR THE 2013/2014 FINANCIAL YEAR

- a) Where a property is unoccupied, unfurnished and needs or is having major repairs or

structural alterations there is a local discount of 100% under section 11a of the Local Government Finance Act 1992 for up to one year.

- b) Where a property is unoccupied and unfurnished there is a local discount of 0% under section 11a of the Local Government Finance Act 1992 for the first six months resulting in a 100% charge.
- c) Where a property is unoccupied and unfurnished for more than six months a 0% discount is applied resulting in a 100% charge.
- d) Where a property is unoccupied and furnished, a 0% discount is allowed resulting in a 100% charge.
- e) Where a property is unoccupied and unfurnished for more than two years the 50% surcharge will not be imposed resulting in a continuation of the 100% charge.

NNDR REFORMS

As part of the Government's wider reforms, changes are proposed from 1 April 2013 associated with the move to local retention of business rates (NNDR). Although full details remain unclear at the present time, it has been highlighted that Members will be required to approve the NNDR 'base' each year. This is similar to the Council Tax base where the data is used to derive a 'property base' from which the estimated level of income collectable each year is calculated. Historically this data has been captured on an NNDR1 form that has been approved by the Council's S151 Officer.

It is currently understood that authorities will be able to delegate the approval of the NNDR 'base' to a Portfolio Holder for example. Given that the current Council Tax base is delegated to the Finance and Asset Management Portfolio Holder for approval, it is proposed to apply the same delegation to NNDR data. Although this will be considered on a permanent basis as part of the Council's general review of the Constitution, to comply with the end of January 2013 deadline for approval of the 2013/14 data, it is proposed that in the interim period the approval of the NNDR1 estimate for 2013/14 is delegated to the Portfolio Holder for Finance and Asset Management.

BACKGROUND PAPERS FOR THE DECISION

The Government's policy response to the consultation on the technical reform to Council Tax (May 2012).

APPENDICES

There are none.