

North Tyneside Council Report to Cabinet 13 October 2014

ITEM 6(b)

Council Tax Discounts
2015- 2016

Portfolio(s): Finance & Resources

Cabinet Member(s):
Cllr Ray Glindon

Report from Service Area: Finance and Resources

Responsible Officer: Janice Gillespie, Strategic Manager Finance (Tel: 643 5701)

Wards affected: All

PART 1

1.1 Purpose:

The purpose of this report is to request Cabinet to consider suggestions for making changes to the empty property discounts for 2015-2016.

1.2 Recommendation(s):

It is recommended that Cabinet undertakes a public consultation exercise on the suggested empty property discounts set out at paragraph 1.5.9 of the report and the outcome of the consultation exercise be reported back to Cabinet to allow it to make proposals to the Council at its meeting to be held on 22 January 2015.

1.3 Forward plan:

1.3.1 This report was included in the Forward Plan for the period 28th July 2014 to 31st October 2014, published on 8 September 2014.

1.4 Council plan and policy framework

This report does not relate to any priorities identified in the 2014/18 Our North Tyneside Plan.'

1.5 Information

- 1.5.1 The Local Government Finance Act 2012, introduced changes in legislation that abolished two Council Tax exemptions and allowed local authorities to replace these with a level of discount or offer no discount at all. Further changes were also introduced allowing local authorities to reduce the discount offered to second homes down to 0%, and finally there was an option to local authorities to introduce a premium additional charge for properties that had been empty for a period in excess of 2 years.
- 1.5.2 On 16 January 2013 a report was provided to Cabinet outlining the many different options of discounts available. Cabinet gave consideration and made proposals to full Council at the meeting held on 24 January 2013.
- 1.5.3 At the Council meeting held on the 24 January 2013 Council agreed the following options and these changes were implemented from 1 April 2013:
- a) Former Class A Exemption (unoccupied and unfurnished properties which are in need of or undergoing major repairs or structural alteration). The decision was taken to replace the previous 100% exemption with a 100% discount resulting in no impact on Council Tax payers and no additional debit created to collect.
 - b) Former Class C Exemption (An unoccupied and unfurnished property. The decision was taken to replace the 100% exemption for 6 months with a 100% discount for 2 months.
 - c) Empty Homes 50% Longer Term Empty Discount (This applied after the maximum 6 month empty exemption ceased). The decision was made to remove this discount entirely.
 - d) Second Home Discount (this is where a second furnished property may be owned but not occupied). The decision was made to reduce the level of discount awarded from 10% to nil.
- 1.5.4 The changes implemented in April 2013 resulted in the Council Tax debit increasing by £1.2m. If Council had chosen at that time to remove all discounts as it had the option to do, the total additional debit generated would have been £2.3m.
- 1.5.4 For the financial year 2013-14 there was £320,000 awarded for former Class A exempt properties, and £804,000 awarded for former Class C exempt properties.
- 1.5.5 The collection rate remains strong and has fallen by only 0.4% from 96.9% to 96.5% in year 2013-14 and this includes the collection of additional debit due to the Council Tax Support scheme and the general effects of a difficult economic climate including the impacts of welfare reform.

Options for Discounts and exemptions

- 1.5.6 There are a number of options available to Cabinet to recommend changes to the former Class A and Class C discounts for 2015-16. Regionally our neighbouring authorities offer varying levels of support and some have removed all support from former Class A and former Class C discounts. Appendix 1 provides an overview to the discounts awarded by our regional authorities, and their collection rates for year 1.

- 1.5.7 Former Class A properties are properties that are unoccupied and unfurnished and in need of, or undergoing major repairs or structural alterations, are currently entitled to 100% discount up to a maximum period of 12 months in North Tyneside. The law does not allow the Authority to reduce the maximum period of discount but does allow a reduction in the level of discount awarded. Table 1 below outlines the additional Council Tax debit that could be generated by implementing the various reductions.

Table 1

Option	Additional Debit Generated (£)
Reduce the discount to 75%	80,000
Reduce the discount to 50%	160,000
Reduce the discount to 25%	240,000
Remove the discount entirely	320,000

- 1.5.8 Former Class C properties are properties that are unoccupied and unfurnished and are currently entitled to 100% discount for a period of 2 months in North Tyneside. For this discount the law allows the Authority to change both the level of the discount and the period the discount is awarded for. Table 2 below outlines the additional Council Tax Debit that could be generated by implementing the various reductions.

Table 2

Option	Additional Debit Generated (£)
To award 100% discount for 1 month only	289,000
To award 75% discount for 1 month only	417,000
To award 50% discount for 1 month only	546,000
To award 25% discount for 1 month only	675,000
To award 75% discount for 2 months	201,000
To award 50% discount for 2 month	402,000
To award 25% discount for 2 month	603,000
To remove the discount entirely	804,000

- 1.5.8 If Cabinet wishes to propose changes to the current empty property discounts consultation will be necessary on any proposals made. It is suggested that if Cabinet do make proposals to change the current empty property discounts that a public consultation exercise is undertaken over a four week period starting in October 2014. The detail of the consultation process is outlined at Appendix 2.
- 1.5.9 It is suggested that it is appropriate to still offer some support for those meeting the criteria of former Class A and former Class C properties but at a reduced level for both. The following is therefore suggested to Cabinet for their consideration as a proposal for change to the current empty property discounts:
- a) For those meeting the criteria for former Class A properties - reduce the current level of 100% discount for 1 year to 50% discount for 1 year. This will generate an additional Council Tax debit of £160,000. Based on figures for this type of discount awarded during the financial year 2013/2014, 990 Council Tax accounts will be affected by this change.

- b) For those meeting the criteria of former Class C properties - reduce the current 100% level of discount for 2 months to 50% discount for 2 months. This will generate an additional Council Tax debit of £402,000. Based on figures for this type of discount awarded during the financial year 2013/2014, 5,400 Council Tax accounts would be affected by this change

The total overall Council Tax debit generated by these suggestions would be £562,000 based on the current Council Tax Rate.

1.6 Decision options:

The following options are available for the consideration of Cabinet:

Option 1

To undertake a public consultation exercise on the suggested empty property discounts set out at paragraph 1.5.9 of the report and the outcome of the consultation exercise be reported back to Cabinet to allow it to make proposals to the Council at its meeting to be held on 22 January 2015.

Option 2

To reject the suggested empty property discounts set out at paragraph 1.5.9 and refer the matter back to Officers for further consideration of alternative suggestions.

Option 1 is the recommended option

1.7 Reasons for recommended option:

1.7.1 Option 1 is recommended for the following reasons:

- a) It still provides support for 2 months for those meeting the criteria for Class C which is the same period of time currently provided, although the support is reduced to 50%;
- b) It still provides support for 12 months for those meeting the criteria for Class A which is the same as is currently provided, although the support is reduced to 50%; and
- c) It would generate over £550,000 of additional Council Tax debit based on the current Council Tax Rate, whilst still providing a medium level of support.
- d) It encourages residents to still inform us when they vacate a property and it becomes empty. If the discount was removed altogether residents may not inform us of a vacation and continue to claim a single person discount. This risk is covered at paragraph 2.6 of this report.

1.8 Appendices:

Appendix 1 – Overview of regional discounts
Appendix 2 – Timetable of consultation

1.9 Contact officers:

Janice Gillespie – Strategic Manager, Finance Tel. (0191) 6435701

Andrew Scott – Senior Client Manager Revenues, Benefits and Customer Services, Tel. (0191) 643 7150

Geoff Huzzard – Financial Development Officer, Financial Strategy and Planning, Tel. (0191) 643 5716

Tracy Vasey – Client Manager Benefits and Customer Services, Tel. (0191) 643 7228

1.10 Background information:

Local Government Finance Act 1992

[Council Decision 24 January 2013 on Technical Reforms of Council Tax](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and Other Resources

2.1.1 The detailed financial implications of the various decision options in respect of exemptions and discounts have been set out in Section 1.5 of the report. This section of the report outlines the range of different levels of income that can be generated from the various available options. Section 1.5 of this report also outlines the financial implications of the proposal to Cabinet for their consideration in respect of exemptions and discounts which is:

- For those meeting the criteria for former Class A - reduce the current level of 100% discount for 1 year to 50% discount for 1 year. This will generate an additional Council Tax debit of £160,000, and
- For those meeting the criteria of former Class C - reduce the current 100% level of discount for 2 months to 50% discount for 2 months. This will generate an additional Council Tax debit of £402,000

The total overall Council Tax debit generated by this option would be £ 562,000, based on the current rate of Council Tax

Impact on the Council's Available Resources

2.1.2 Any change introduced to discounts makes a commensurate change to the council tax base. The change is converted to a Band D equivalent and feeds into the statutory council tax base calculation by increasing the total council tax base, thereby increasing the available resources for the Council. As such, any income generated by changes to exemptions and discounts is available for the general use by the Council's General Fund as part of the 2015/16 Financial Planning and Budget Setting process.

2.1.3 Once the changes to discounts are ultimately confirmed by Council on 22 January 2015, these will feed into the calculation of the 2015/16 Council Tax Base, to be approved by Cabinet on 28 January 2015.

2.2 Legal

Section 11 of the Local Government Finance Act 2012 amends section 11A of the Local Government Finance Act 1992 enabling the Secretary of State to define a class of property in respect of which an Authority may determine a discount in the range zero to one hundred percent.

Section 67 of the Local Government Finance Act 1992 specifies the functions that can be discharged only by the Council as a whole. Included in those functions is the ability to make a determination under sections 11A or 11B of the 1992 Act, namely granting discounts in respect of a particular class of dwelling and to permit a reduction in the level of Council Tax required to be paid by an individual in relation to that class of dwelling. Therefore, whereas Cabinet can make a recommendation to Council in respect of such discounts, it is ultimately a matter for Council to make a determination on such discounts.

2.3 Consultation/community engagement

- 2.3.1 This report is seeking direction from Cabinet as to whether they want to consider changes to the current empty property discounts. If Cabinet propose changes to the current empty property discounts, consultation will be carried out on any proposals made by Cabinet. This consultation will be carried out over a four week period starting in October and is outlined at Appendix 2.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

An impact assessment was carried out when reducing the empty property discounts in 2013-14. The impact assessment did not identify any protected equality groups that would be disproportionately disadvantaged by the reduction in discounts implemented, as the changes are property based and are not linked in any way to the protected equality groups. The changes recommended in this report are again property based and not linked to the protected equality groups.

2.6 Risk management

Consideration has been given to the risks of removing exemptions / discounts entirely. To remove the former Class C exemption entirely, could result in Council Tax payers having no incentive to notify the Council that they had vacated a property. For instance single occupiers, in receipt of a single person's discount, may choose not to notify the Council when they vacate a property as it would be cheaper for them to state that they continued to live in the property. This is because they would have a 25% Council Tax discount when occupying a property and no reduction when they vacate it. Any proposals made by Cabinet will be consulted on and this should mitigate the risk of a legal challenge against the decision.

2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

There are no environmental and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive
- Head(s) of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy