

# North Tyneside Council

## Report to Cabinet

Date: 12<sup>th</sup> September 2016

### ITEM 6c

Title: Council Tax  
Discounts 2017- 2018

Portfolio(s): Finance & Resources

Cabinet Member(s):  
Cllr Ray Glindon

Report from Service Area: Finance

Responsible Officer: Janice Gillespie, Head of Finance (Tel: 643 5701)

Wards affected: All

#### PART 1

##### 1.1 Executive Summary:

- 1.1.1 The Local Government Finance Act 2012, introduced changes in legislation that, in relation to empty homes, abolished two Council Tax exemptions and allowed local authorities to replace these with a level of discount or offer no discount at all.
- 1.1.2 At the Council meeting held on 24 January 2013 Council agreed a reduced level of discount to be awarded. These changes are set out at 1.5.3 of this report
- 1.1.3 The level of Council Tax discount awarded to empty homes was further reduced at the Council meeting on 22 January 2015 following a recommendation from Cabinet and following public consultation. These changes are set out at 1.5.5 of this report
- 1.1.4 This report now seeks approval from Cabinet for further consultation to take place in September 2016 to determine if the empty property discounts should be further reduced or removed entirely.

##### 1.2 Recommendation(s):

- 1.2.1 It is recommended that Cabinet authorises the Head of Finance to undertake consultation between September 2016 and November 2016 on the proposed changes to the Empty Property Discounts (set out in tables 1 and 2 at paragraphs 1.5.8 to 1.5.9 of the report) and that details of the consultation responses be reported back to Cabinet on 12 December 2016 to allow consideration of the proposed changes, if any, to the Empty Homes Discount to be proposed to the Full Council on 19 January 2017.

### **1.3 Forward plan:**

1.3.2 Twenty eight days notice of this report has been given and this report first appeared on the Forward Plan that was published on 25 July 2016.

### **1.4 Council plan and policy framework**

1.4.1 This report does not relate to any priorities identified in the 2016-2019 Our North Tyneside Plan. However, the issue does directly relate to the overall resourcing available to the Authority to deliver those priorities and the strategic direction on housing in particular.

### **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 around the discounts available. Cabinet gave consideration and made proposals to full Council at the meeting held on 24 January 2013.

#### Changes agreed by Council 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. The collection rate remained strong and fell by only 0.4% from 96.9% to 96.5% in year for 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.

Changes agreed by Council in January 2015

- 1.5.5 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 reduce the 100% discount for 12 months to 50% discount for 12 months. (Legislation permits the level of this discount to be reduced, but not the period).
- b) Former Class C Exemption (An unoccupied and unfurnished property). The decision was taken to replace the 100% discount for 2 months with a 50% discount for 2 months.
- 1.5.6 The changes implemented in January 2015 resulted in the Council Tax debit increasing by £0.562m. The in-year collection rate in 2015-2016 actually improved to 96.6% from 96.4% the previous year.

Remaining options for Discounts and exemptions

- 1.5.7 There are a few remaining options available to Cabinet to recommend changes to the former Class A and Class C discounts for 2017-18. Our neighbouring authorities offer varying levels of support and some have removed all support from former Class A and former Class C discounts. These include Durham, Northumberland, South Tyneside, Stockton, Redcar & Cleveland and Middlesbrough councils.
- 1.5.8 Former Class A properties are properties that are unoccupied and unfurnished and in need of, or undergoing major repairs or structural alterations. These properties are currently entitled to 50% 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 (£)
No change to discount	0
Reduce the discount to 25%	80,000
Remove the discount entirely	160,000

- 1.5.9 Former Class C properties are properties that are unoccupied and unfurnished and are currently entitled to 50% 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 (£)
No change to discount	0
To award 25% discount for 2 months	201,000
To remove the discount entirely	402,000

1.5.10 It is requested that Cabinet agree that consultation take place on the options set out in the report, namely, maintaining current levels of discount, removing empty property discounts altogether, or providing a lower level of discount. The detail of the consultation process is outlined at Appendix 1.

## **1.6 Decision options:**

The following options are available for the consideration of Cabinet:

### Option 1

To agree to undertake a public consultation exercise on the options for empty property discounts set out at tables 1 and 2 in the report. The outcome of the consultation exercise to be reported back to Cabinet on 12 December 2016 to allow it to make proposals to Council at its meeting to be held on 19 January 2017.

### Option 2

To reject the proposal to consult upon changes to the empty property discounts and maintain the discounts at current levels.

Option 1 is the recommended option

## **1.7 Reasons for recommended option:**

1.7.1 Option 1 is recommended for the following reasons:

It provides an opportunity to gain feedback from our residents and partner organisations on the options being considered. This will allow Cabinet to determine if it wishes to propose any changes to full Council on 19 January 2017.

## **1.8 Appendices:**

Appendix 1 – Timetable of consultation  
Appendix 2 – Equality Impact Assessment

## **1.9 Contact officers:**

Janice Gillespie – Head of 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 Hunter – Client Manager Benefits and Customer Services, Tel. (0191) 643 7228

### **1.10 Background information:**

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

Local Government Finance Act 1992

Council Decision 24 January 2013 on Technical Reforms of Council Tax

Council Report 22 January 2015 - Council Tax Discounts from 2015 and Minutes

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and Other Resources**

- 2.1.1 The financial implications of the various decision options in respect of any proposed changes are set out in Tables 1 and 2.

#### Impact on the Authority'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 Authority. As such, any income generated by changes to exemptions and discounts is available for the general use by the Authority's General Fund as part of the 2017/18 Financial Planning and Budget Setting process.

### **2.2 Legal**

- 2.2.1 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.
- 2.2.2 Section 67 of the Local Government Finance Act 1992 specifies the functions that can be discharged only by the Authority 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. Cabinet is requested to agree that consultation will be carried out on any proposals starting in September, this is outlined at Appendix 1.

## **2.4 Human rights**

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

## **2.5 Equalities and diversity**

2.5.1 An impact assessment has been carried out and is attached to this report as appendix 2.

## **2.6 Risk management**

2.6.1 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 Authority that they had vacated a property. For instance single occupiers, in receipt of a single person's discount, may choose not to notify the Authority 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**

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

## **2.8 Environment and sustainability**

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

## **PART 3 - SIGN OFF**

- Deputy Chief Executive  x
- Head(s) of Service  x
- Mayor/Cabinet Member(s)  x

- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy