

North Tyneside Council Report to Council Date: 22 January 2015

ITEM 7

Title: Council Tax
Discounts from April 2015

Portfolio(s): Finance Service

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 Council to agree the Council Tax Discounts for empty homes effective from April 2015:

1.2 Recommendation(s):

It is recommended that Council:

- a) note the recommended discounts set out in paragraph 1.6.2 which are being proposed to Council by Cabinet following its meeting on 8 December 2014; and
- b) agree these as the empty property discounts effective from 1 April 2015.

1.3 Forward plan:

- 1.3.1 Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 8 December 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% if considered appropriate and finally there was an option for 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 its 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. The financial year 2014-15 is forecast to be of a similar collection rate.

Options for discounts that were considered

- 1.5.6 The report brought to Cabinet on 13 October 2014 set out the various options available to Cabinet with regard to making further changes to former Class A and Class C discounts from April 2015. Cabinet considered the financial impacts for the Authority and the financial consequences for residents. Appendix 1 - Options of empty property discounts outlines the options that Cabinet considered.
- 1.5.7 Cabinet determined that consultation should be carried out on the proposal of the following changes:
- 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)
- 1.5.8 The consultation exercise commenced on 14 October 2014 and ended 9 November 2014. The outcomes of the consultation exercise were included in the report that was presented to Cabinet on 8 December 2014. Appendix 2 – Consultation outcomes, outlines the results of the consultation.

1.6 Decision options:

The following options are available to Council:

1.6.1 Option 1

To agree the proposed changes to empty property discounts, set out at paragraph 1.5.7 of this report, as the empty property discount changes to be implemented from April 2015.

1.6.2 Option 2

Council may choose to reject the proposed changes to empty property discounts set out at paragraph 1.5.7 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) The majority of respondents to the consultation exercise were in favour of reducing the discount level from 100% to 50% for both categories of discount;
- b) 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%;
- c) It still provides support for 12 months for those meeting the criteria for Class A which is the same period of time as is currently provided, although the support is reduced to 50%;
- d) It would generate over £560,000 of additional Council Tax debit based on the current Council Tax Rate, whilst still providing a medium level of support; and
- e) It encourages residents to still inform the Authority when they vacate a property and it becomes empty. If the discount was removed altogether residents may not inform the Authority 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 - Options of empty property discounts

Appendix 2 - Outcome 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 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

[Cabinet Report 8 December 2014 - Council Tax Discounts 2015-16](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and Other Resources

- 2.1.1 The detailed financial implications of the decision options in respect of exemptions and discounts for empty properties were set out in the background documents of the Cabinet report of 8 December 2014 and included as Appendix 1 (Options for empty

property discounts) to this report. The financial implications of Cabinet's proposal and which was duly consulted on is also included below:

- 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 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 2015/16 Financial Planning and Budget Setting process.
- 2.1.3 Once the changes to discounts are ultimately confirmed by Council 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 per cent.

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 outlines the proposals Cabinet are making to Council. Consultation was carried out on the proposal by Cabinet to reduce the level of discount offered as set out at paragraph 1.5.7 of the report. This consultation took place from 14 October

2014 to 9 November 2014. Results of this consultation are set out in Appendix 2 – Outcomes of consultation.

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 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. Proposals made by Cabinet have been 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 x
- Head(s) of Service x
- Mayor/Cabinet Member(s) x
- Chief Finance Officer x
- Monitoring Officer x
- Head of Corporate Strategy x