

# North Tyneside Council Report to Council Date: 19 January 2017

## ITEM 5

Title: Council Tax  
Discounts 2017/2018

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<b>Portfolio(s):</b> Elected Mayor  Finance and Resources	<b>Cabinet Member(s):</b> Norma Redfearn  Councillor Ray Glendon
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<b>Report from Service Area</b>	<b>Finance</b>
<b>Responsible Officer:</b>	<b>Janice Gillespie, Head of Finance,</b> <b>Tel: (0191) 643 5701</b>
<b>Wards affected:</b>	<b>All</b>

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### PART 1

#### 1.1 Executive Summary:

On 12 December 2016 Cabinet was presented with a report which provided the outcomes of the 6 week consultation exercise, which was carried out on three options, to consider making changes to the level of Council Tax discount awarded to two classes of empty properties. This potential change would take effect from 1 April 2017.

As a result of budgetary pressures the Authority needs to consider whether to implement a change to the level of Council Tax discount awarded to empty properties which are unoccupied and unfurnished, or unoccupied and unfurnished which are in need of, or undergoing, structural alteration or major repair.

The Cabinet report made recommendations based upon the consultation outcomes and the aforementioned budgetary pressures.

Cabinet was asked to consider the consultation outcomes and the recommendation that was made in relation to the level of Council Tax discount awarded to empty homes for 2017/18. It is that recommendation that was accepted by Cabinet, which Cabinet is now inviting Council to consider and agree as the Authority's Council Tax discount level for empty properties from 1 April 2017.

## **1.2 Recommendation(s):**

It is recommended that Council:

- (a) note the recommended change to discount levels, set out as option 2, in paragraph 1.6.1 which is being proposed to Council by Cabinet following its meeting on 12 December 2016 ; and
- (b) agree option 2 to be the Authority's Council Tax discount level for empty homes to take effect from 1 April 2017.

## **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 5 December 2016.

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

- 1.4.1 This report does not relate directly to any priorities identified in the 'Our North Tyneside Plan 2016 -2019'. 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%.

- 1.5.2 On 24 January 2013 Full Council agreed the following:

- For unoccupied and unfurnished properties which are in need of or undergoing major repairs or structural alteration, the decision was taken to replace the 100% exemption with a 100% discount resulting in no impact on Council Tax payers;
- For unoccupied and unfurnished properties the decision was taken to replace the 100% exemption for a maximum period of 6 months with a 100% discount for a maximum period of 2 months. This generated an additional £523,000 Council Tax debit; and
- Discounts awarded to long term empty properties and second homes were removed entirely. This generated an additional £671,000 Council Tax debit.

- 1.5.3 On 22 January 2015 Full Council agreed to make further reductions to the levels of Council Tax discount awarded to empty properties. These are listed below:

- For unoccupied and unfurnished properties which are in need of or undergoing major repairs or structural alteration, the decision was taken to replace the 100% discount with a 50% discount. This generated an additional £160,000 in Council Tax debit; and

- For unoccupied and unfurnished properties the decision was taken to reduce the 100% discount for 2 months with a 50% discount for 2 months. This generated an additional £402,000 in Council Tax debit.

### **Current levels of discount**

- 1.5.4 The current Council Tax discount levels for empty properties are as agreed at Council meeting on 22 January 2015 (at 1.5.3 above). These levels have been in force since 1 April 2015.
- 1.5.5 Council Tax collection levels, both in year and long term have held up despite reductions in discounts for empty homes and reductions in support through the Local Council Tax Support Scheme.

### **Other Local Authorities in region**

- 1.5.6 Seven of the twelve north east authorities no longer offer any Council Tax discount to these classes of empty properties. The authorities are Northumberland, Durham, Redcar & Cleveland, South Tyneside, Darlington, Middlesbrough and Stockton.
- 1.5.7 The remaining authorities, Newcastle, Gateshead, Sunderland and Hartlepool, like North Tyneside currently offer a limited amount of discount and all are considering changes from 1 April 2017.

### **Consultation in 2016**

- 1.5.8 On 12 September 2016, in acknowledgement of significant budgetary pressures, Cabinet were presented with a report that provided options for Council Tax empty property discounts from 1 April 2017.
- 1.5.9 Cabinet considered the three options in the report which included two options to reduce the level of discount available, the other was to maintain the discounts at their current level. It was agreed that all three options should be consulted on.
- 1.5.10 The three options subject to consultation were:
- Option 1** – Reduce the level of discount available for both classes of empty properties from 50% to 25%;
- Option 2** – Remove altogether the discount available for both classes of empty properties; and
- Option 3** – Maintain the current level of discount available at 50%.
- 1.5.11 The Consultation exercise started on 13 September 2016 and ended 31 October 2016.
- 1.5.12 Consultation took place in a number of ways. The different schemes being consulted on were explained to established forums attended by stakeholders and partner organisations. A specific exercise at Customer Service Centres during which customers were asked to take part in the consultation and the options explained to them. The Citizen's Advice Bureau also carried out consultation with their clients visiting their offices and outreach sessions in the community. More detailed information is provided at Appendix 1.

## **Consultation outcomes**

1.5.13 Over 900 people responded to the consultation. On 12 December 2016 Cabinet considered the consultation outcomes (Appendix 1) against a background of significant budgetary pressures that the Authority faces. A summary of the consultation outcome is set out below.

### **Option 1 – Reduce the level of discount offered from 50% to 25%**

941 people answered this question. Of those 941 people:

- a) 344 (37%) strongly agreed or agreed with option 1.
- b) 191 (20%) neither agreed nor disagreed with option 1.
- c) 406 (43%) strongly disagreed or disagreed with option 1.

### **Option 2 – Remove the discount entirely.**

939 answered this question. Of those 939 people:

- a) 259 (28%) strongly agreed or agreed with option 2.
- b) 211 (22%) neither agreed or disagreed with option 2
- c) 466 (50%) strongly disagreed or disagreed with option 2

### **Option 3– Make no change to level of discount offered.**

935 answered this question. Of those 935 people:

- a) 417 (45%) strongly agreed or agreed with option 3
- b) 245 (26%) neither agreed or disagreed with option 3
- c) 273 (29%) strongly disagreed or disagreed with option 3

## **Financial impact on the Authority**

1.5.14 There is additional Council Tax debit generated to the Authority if either of Option 1 or Option 2 were implemented, which the Authority could use to help manage its financial pressures.

1.5.15 Table 2 below outlines the additional Council Tax generated associated with each Option under consideration.

Table 2

Option	Additional Debit Generated		
	Unoccupied undergoing major work (£)	Unoccupied and unfurnished (£)	Total (£)
Option 1- Reduce discount from 50% to 25%	80,000	201,000	281,000
Option 2 - Remove discount entirely	160,000	402,000	562,000
Option 3 – No change in discount	0	0	0

For option 1, £33,000 of the additional Council Tax debit generated would be payable from the Housing Revenue Account.

For option 2, £66,000 of the additional Council Tax debit generated would be payable from the Housing Revenue Account.

## **1.6 Decision Options**

1.6.1 The following options are available to Council

**Option 1** – To reduce the level of discount available for both classes of empty properties from 50% to 25%.

**Option 2** – To remove altogether the discount available for both classes of empty properties.

**Option 3** – To maintain the current level of discount available at 50%.

**Option 4** - To reject options 1 to 3 and refer the matter back to officers for consideration of alternative proposals.

Option 2 is the recommended option

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

1.7.1 Option 2 (to remove altogether the discount available for both classes of empty property) is recommended for the following reasons:

- a) While it is recognised that the results of the consultation for Option 2 show 466 respondents (50%) did not agree that the discount should be removed entirely, the financial pressures placed on the Authority and budgetary position of the Authority are such that the recommendation remains to remove the discounts.
- b) This option provides savings to the Authority to help manage budgetary pressures.
- c) Removing the discounts entirely brings us into line with the majority of local authorities both locally and nationally.

## **1.8 Appendices:**

- Appendix 1 – Engagement and consultation outcomes
- 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 2012](#)
- [Council Report 24 January 2013 - Council Tax Discounts 2013](#)
- [Council Report 22 January 2015 - Council Tax Discounts 2015](#)
- [Cabinet Report 12 September 2016- Council Tax Discounts](#)
- [Cabinet Report 12 December 2016 – Council Tax Discounts](#)

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

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

2.1.1 The detailed financial implications of the recommended Council Tax discounts for Empty Homes from April 2017 are indicated in Table 2 at point 1.5.15. The impact on the Housing Revenue Account is also set out. The proposal would generate additional resources that would otherwise have to be found elsewhere to achieve a balance budget for 2017/2018.

2.1.2 The reduced discount levels will be reflected in the Council Tax base.

### **2.2 Legal**

Section 11A of the Local Government Finance Act 1992 enables the Secretary of State to define a class of dwelling in respect of which an Authority may determine a Council Tax discount.

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 section 11A 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 or determining that a discount shall not apply to a 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 provides the results of the consultation which was carried out over the period 13 September to 31 October 2016. As recommended by Cabinet on 12 September 2016 Options 1 to 3 at point 1.5.10 were consulted on using a variety of methods. Results and more detail of the consultation process are provided in Appendix 1.
- 2.3.2 A communication strategy will be developed to notify residents of any changes to the scheme that are accepted by Council on 19 January 2017.

## **2.4 Human rights**

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

## **2.5 Equalities and diversity**

- 2.5.1 An Equality Impact Assessment (EIA) was carried out prior to consultation on the changes proposed in options 1 and 2. The EIA is included as Appendix 2 to this report.
- 2.5.2 Potential negative impacts around communications for some claimants with protected characteristics were noted in the EIA. A communication plan will be developed that will help mitigate against this potential impact and the consultation included consulting with those from the protected characteristics groups that were identified in the EIA.

## **2.6 Risk management**

- 2.6.1 Whilst it is acknowledged that any reductions in the levels of Council Tax discounts could have an impact on collection rates. This recommended reduction in Council Tax discount was made in the knowledge that previous reductions in empty discounts in both 2013 and 2015 had minimal effect on the Council Tax collection level.
- 2.6.2 Consideration has been given to the risks of removing discounts entirely. To remove the empty homes discounts entirely, could result in Council Tax payers having no incentive to notify the Authority that they had vacated a property. A review of all occupied Council Tax discounts awarded takes place on an annual basis, which will reduce this risk.
- 2.6.3 Should Council choose Option 4 at 1.6.1, there would be a risk that officers would have limited time to undertake further consultation to allow Council to consider making any changes to the scheme, without a risk of challenge.
- 2.6.4 A comprehensive consultation exercise was carried out on proposals made by Cabinet and this should mitigate the risk of challenge. It is important that any decision is taken based upon full evidence.

## **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