



## Welfare Reform Sub-Committee – 7 January 2016

### Council Tax Discounts and Exemptions

#### Purpose of report:

To inform members of the outcome of the internal review on empty properties subject to a council tax charge whilst undergoing renovations.

#### Attachment(s)

None

#### 1.0 Introduction

At the WRSC meeting on the 12 October 2015 concerns were raised regarding individuals being charged council tax on empty properties whilst they were undergoing renovations which added an additional burden and might dis-incentivise improvements to properties. It was suggested that in such cases it could be argued that those pursuing economic growth would be penalised. Officers agreed to prepare a report in respect of such circumstances and what could be done.

#### 2.0 Background

2.1 On the 7 January 2013 the Council resolved to maximise income from owners of empty properties by removing exemptions, discounts and applying a premium to long-term empty properties as provided for by the council tax technical forms legislation.

2.2 The changes are detailed in the following table:

Exemption/Discount	Council Tax paid pre 1 April 2013	Council Tax paid post 1 April 2013
<b>Second Homes</b> Furnished but main home elsewhere or empty	90%	100%
<b>Uninhabitable</b> Empty requiring major repair work	None for a year Then 50%	100%
<b>New, empty and Unfurnished</b> Any unfurnished and unoccupied property	None for 6 months Then 50%	100%
<b>Long term empty</b> Unoccupied and unfurnished	None for 6 months Then 100%	100% then 150% after 2 years of being empty

2.3 The changes to exemptions and discounts has resulted in the council generating additional income as follows:

<b>Financial year</b>	<b>Income generated (NCC, PCC, ENC, T&amp;PC)</b>
2013/14	£883K actual
2014/15	£964K actual
2015/16	£936K forecast

2.4 Members will be aware that the additional income generated has been used to mitigate the financial impact of the Council Tax Support scheme.

### **3.0 Options**

3.1 Three options have been looked at during the review.

3.2 **Option 1** – Retain the current **post** 1 April 2013 council tax charges as detailed in 2.2.

This this option would continue to generate much needed income for the Council (£936K forecast for 2015/16) and as already mentioned in 2.4 will help mitigate the financial impact of the Council Tax Support scheme for 2015/16 and future years.

3.3 **Option 2** – Reverse the council tax charges to the **pre** 1 April 2013 rates as detailed in 2.2.

This option would result in the ENC council tax base being reduced by approximately 668 band D equivalents (£936K). Town and Parish tax bases would also reduce depending on how many exemptions and discounts were granted in their individual parish.

3.4 **Option 3** – Introduce an exemption for empty and unfurnished properties undergoing renovation.

This option would result in a loss of income for the Council, the extent of which is unknown as customers are not asked to confirm why their property is empty and unfurnished.

To establish the impact of this change further work would need to be done to identify the number of properties that would potentially fall into this category. This means a letter or email (if details held) would need to be sent to all customers who currently fall into the categories detailed in 2.2 with the exception of second homes.

The cost of undertaking this exercise would be approximately £300 for stationary and postage, officer time for inputting the data would be in addition to this.

Also, a policy/guidelines would need to be drawn up to define ‘undergoing renovations’ for example, new kitchen and bathroom or coat of paint.

### **4.0 Other issues to consider**

4.1 The Council no longer has an Empty Property Inspector, this position became vacant approximately 18 months ago and has now been removed from the establishment. This means if either of options 2 & 3 were introduced ways of monitoring the properties would need to be established to ensure the Council is not open to potential fraudulent claiming of discounts.

4.2 The proposed CTS scheme and council tax base for 2016/17 have already been modelled based on the existing discounts and exemptions therefore changes at this stage would have a significant impact on the proposals and the budget setting process.

4.3 Best practice indicates that consultation would be required for any changes to exemptions and discounts.

## 5.0 Equality and Diversity Implications

5.1 A full Equality Impact Assessment was carried out in 2012 for Option 1. A further EIA will need to be carried out should members wish to make changes to discounts and exemptions.

## 6.0 Legal

6.1 The Local Government Finance Act 2012 gives local authorities discretion over the discounts and exemptions available for properties detailed in this report.

## 7.0 Risk Management

Risk	Consequence	Likelihood	Controls
<b>Options 2 &amp; 3</b>			
Affordability for ENC & preceptors	Increased budget pressure	Likely	Financial planning
Fraudulent claiming of discounts/exemptions	Decrease in council tax base	Likely	Procedure to be set up for monitoring properties.
<b>Option 3</b>			
Inconsistency when deciding if discounts should be awarded	Increase in customer complaints	Probable	Policy/guidelines to be created defining 'undergoing renovations'

## 8.0 Resource and Financial Implications

8.1 The financial implications are set out in the body of the report above.

## 9.0 Constitutional Implications

9.1 There are no constitutional implications.

## 10.0 Corporate Outcomes

10.1 Effective Management – good use of resources.

## 11.0 Recommendation

11.1 Members are recommended to keep the current council tax charges as detailed in Option 1.

*(Reason – to maximise income in 2016/17 and future years.)*

<b>Legal</b>	Power: Local Government Finance Act 2012				
	Other considerations:				
<b>Background Papers:</b>					
<b>Person Originating Report:</b> Lucy Hogston, Benefits Manager 01832 742194, lhogston@east-northamptonshire.gov.uk					
<b>Date: 17 December 2015</b>					
<b>CFO</b>		<b>MO</b>		<b>CX</b>	

(Committee Report Normal Rev. 22)