

REDDITCH BOROUGH COUNCIL

EXECUTIVE COMMITTEE

10th December 2013

COUNCIL TAX DISCOUNTS

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda De Warr
Ward(s) Affected	All
Ward Councillor(s) Consulted	None Specific
Non-Key Decision	

1. SUMMARY OF PROPOSALS

The report summarises options for further technical amendments to Council Tax discounts, for Members consideration.

2. RECOMMENDATIONS

The Executive Committee is asked to RESOLVE

to reduce the period of 50% empty homes discount to three months.

3. KEY ISSUES

Financial Implications

- 3.1 From April 2013 the national scheme of Council Tax Benefits was replaced by locally agreed Council Tax Support Schemes. Pensionable age claimants are protected but local billing authorities can determine the extent of support for working age claimants. Furthermore, as a discount rather than a benefit, the impact of the change to Council Tax Support was to reduce the taxbase for the Council by the amount of any support given. This therefore affected all organisations that raise a precept, including ourselves, major preceptors and the parish council. Compensation for the loss of council tax was to be paid for by the Government as Council Tax Support Grant to billing authorities and major preceptors. The Grant is equivalent to around 90% of previous council tax benefit costs.
- 3.2 The cost of council tax benefits in Redditch was around £6.5m per year. The 10% shortfall of around £650k is split between the Borough Council (including the parish council) and our major preceptors broadly in line with the proportion of council tax levied. The County Council takes the largest share of the shortfall. The cost to the Borough of these changes was in the region of £91k.
- 3.3 When introducing the proposals for amendments to Council Tax Benefit the Government also removed Council Tax Exemptions for empty homes (Class C Exemption) and homes and requiring major repair works (Class A Exemption) and replaced them with locally determined discounts. These reforms allowed a

greater discretion on the level of Council Tax Discount for Second and Empty Homes; and provided a mechanism for the imposition of a Council Tax premium for certain long term empty properties.

- 3.4 During the implementation of the Council Tax Benefit replacement scheme the Government indicated that they expect local authorities to exercise their full range of powers to help manage the reduction in Council Tax support.
- 3.5 The consultation paper “Technical Reforms of Council Tax – Consultation” published in October 2011 outlined that the proposed changes to exemptions and discounts should be considered in the context of tight local government finance settlements and proposals to replace Council Tax Benefit with Council Tax support.
- 3.6 In April 2013 the Borough Council introduced three changes to the discounts for empty and second homes and these changes:
- reduced discounts on second homes from 50% to nil;
 - replaced the short term empty property (empty for less than 6 months) exemption with a discount of 50%;
 - reduced the discount for long term empty properties (empty for more than 6 months)

These changes are estimated to have raised an additional £257,000 in Council Tax which leaves a total remaining gap of £393,000 between the level of Council Tax Support and the Council Tax support grant, and a £65k gap for Redditch Borough Council.

- 3.7 Changes to the Council Tax Support scheme, namely that entitlement to Council Tax support should be capped at 80% of Council Tax liability so that all working age claimants will pay a minimum of 20% towards their Council Tax Liability, are currently being consulted on. It is estimated that this change will realise £63k for Redditch Borough Council which would result in the current shortfall being met in full.
- 3.8 In addition to changes to the support scheme there are options for further technical changes to Council Tax discounts and these options, as well as the potential total additional Council Tax levied, and the additional Council Tax this would generate for Redditch Borough are detailed in the attached Appendix 1.
- 3.9 Reducing the period of empty homes discount from 6 months to 3 months would ensure that home owners and developers still benefit from a period of discount, would be easy to administer and increase the total amount of Council Tax levied by in the region of £74k. It could also help to further reduce the number of empty properties.

- 3.10 Although not a requirement to consult on further technical changes to Council Tax discounts a recent consultation on changes to the Council Tax Support Scheme sought views by asking whether the 50% discount for properties that have been empty for less than 6 months should be removed.

50% of the respondents were in favour of the removal of discounts for short term empty properties.

- 3.11 It is important to remember that any changes to the period for empty homes discount will impact on landlords in both the private and social housing sectors.

- 3.12 The West Midlands Regional Representative of the National Landlord's Association provided a detailed response relating to discounts for empty homes as part of the Council Tax Scheme consultation and a copy is attached at Appendix 2.

- 3.13 The costs to the HRA of changes to the empty homes discount are estimated to be:

Removal of the 50% discount	£40,000
Reduction to 1 month @ 50%	£15,000
Reduction to 2 month @ 50%	£5,500
Reduction to 3 months @ 50%	£3,000

- 3.14 Options for removing the discount for uninhabitable properties, introducing a 14 day 100% discount period for empty homes, and implementing a Long Term Empty Homes Premium, were considered by officers but not considered to be feasible, due to the impact they could have on individuals, and the potential damage to the Council's reputation.

Legal Implications

- 3.15 The Local Government Finance Act 2012 (LGFA 2012) amended Section 11A of the Local Government Finance Act 1992 (LGFA '92) to provide local authorities with the power to amend the level of Council Tax discount for certain prescribed properties.

- 3.16 The amendment extended the powers to reduce discounts for second and empty homes in England which were introduced by the Local Government Act 2003 which inserted Section 11A into the LGFA '92.

- 3.17 Statutory Instrument 2012/2964 prescribed two classes of dwelling (Class A and Class B – second homes) for which a local authority may alter the level of Council Tax discount. The discount may be removed or it may be reduced from 50% to any lesser percentage.

- 3.18 SI 2012/2964 also provided two classes of dwelling (Class C unoccupied and substantially unfurnished dwellings; and Class D dwellings requiring major repair works to make habitable) for which the discount may be removed or may be set at any such percentage between 1% and 100%.
- 3.19 The LGFA 2012 also inserted Section 11B into the LGFA '92. Section 11B provides local authorities with the power to introduce a Council Tax premium for long term empty dwellings which have been unoccupied and substantially unfurnished for a continuous period of at least 2 years.
- 3.20 SI 2012/2964 defines two classes of dwelling (Class E dwellings left empty by members of the armed forces; and Class F Annexes) for which the Council Tax premium may not be charged.
- 3.21 If a billing authority makes a determination to vary the level of discount then they must publish a notice of the determination in at least one newspaper circulating in the billing authority's area within 21 days of the determination.
- 3.22 A billing authority may make a determination varying or revoking the decision to alter the level of discount for a financial year, but only before the beginning of the year in which the determination may take effect. If further technical changes to discount are made, or a long term empty premium is levied then the altered level of discounts will be in place for at least one Council Tax year.
- 3.23 There could be cases where a Long Term Empty Premium or a revised lower level of Council Tax discount maybe felt to be inappropriate. The LGFA '92 at Section 13A (1)(c) provides a power to reduce the Council Tax payable on a case by case basis to such an extent as the authority thinks fit. This would include the power to reduce the amount to nil.

Service / Operational Implications

- 3.24 The new powers to reduce discounts took effect from 1st April 2013 and for the Council Tax year 2013/14 changes have been made to empty and second home discounts. Any revision to the levels of discount could be implemented without the need for further investment in software.
- 3.25 Steps were taken in 2013/14 to minimise the impact of the changes by advising Council Tax payers affected in advance of the annual billing cycle. These steps would be repeated should any further amendments be made.
- 3.26 Consideration will need to be given as to how any discretionary assistance under Section 13A 1(c) will be administered and at which level decisions will be made.

Customer / Equalities and Diversity Implications

- 3.27 The changes will not disproportionately impact on those with special protected characteristics under the equality duty, the section 13A (1)(c) power will be available to minimise any adverse impact.

4. RISK MANAGEMENT

- 4.1 Any changes to council tax support whilst increasing council tax income to the Council and our major preceptors will potentially have wide implications for our residents and therefore officers will ensure that support on managing finances and advice on other potential benefits is made available. In addition the income recovery team will continue to measure the arrears position to ensure that members are aware of the impact on income collected.

- 4.2 Changes to the Council Tax Support Scheme and Council Tax discounts are likely to have an impact on some of our Strategic Purposes, specifically:

- Help me to find somewhere to live in my locality:

Additional costs to landlords may be passed on through increased rental charges to tenants; although the impact should be minor as the majority of rental properties have a quick turnaround between tenants.

The removal of discounts for empty homes and the introduction of a long term empty premium may lead to an increase in the supply of homes. The number of properties empty for more than 6 months has reduced from 228 in October 2012 to 175 in October 2013.

The reduction has been seen at a time when the exemption provided for the first six months has been replaced by a 50% discount and a full Council Tax liability has been levied on properties empty for more than 6 months.

The data suggests that there is a correlation between increased Council Tax charges and the number of empty homes.

- Help me to be financially independent

The removal of all discounts for empty homes will mean that Council Tax payers will have a 100% Council Tax liability for all periods during which the property is unoccupied.

Council Tax support is only payable when the Council Tax payer is resident in the property and therefore for any period from start date of the tenancy to occupation by the Council Payer there will be no entitlement to Council Tax support and full Council Tax will be payable.

This is unlikely to affect a large number of Council Tax payers and support will be available through the Hardship Scheme for those in most need.

The Hardship scheme will help to support those with the greatest need but changes to the Council Tax Support Scheme is likely to impact on some residents ability to be financial independent.

5. APPENDICES

Appendix 1 - Options for Technical Changes to Council Tax Discounts

Appendix 2 - Response from West Midlands Regional Representative of the National Landlord's Association

6. BACKGROUND PAPERS

Held in Revenues Services

AUTHOR OF REPORT

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