

Subject: Council Tax Discretionary Discount Changes

Report to: EMT 29/9/2016 Policy & Resources Committee 18/10/2016
Council 3/11/16

Report by: Miranda Lee Group Manager Customer Services

SUBJECT MATTER/RECOMMENDATIONS

This report seeks to agree the amendment of Council Tax Discounts below in accordance with current legislation

1. BACKGROUND

1.1 In 2013 the Government has put forward a number of changes to the legislation in relation to Council Tax discounts in the following areas:

- Second Homes
- Vacant dwellings undergoing major repairs
- Vacant dwellings
- Empty Homes Premium

1.2 The changes in legislation enabled Local Authorities to exercise a discretion to;

- Increase the charge on second homes to 100%
- Have the option to charge up to 100% for the whole of the 12 month period for empty properties undergoing major repairs
- Set a discount of between 0% and 100% for 6 months and that period of the discount could be varied between 0 to 6 months.
- Allow a 50% premium to be charged for any properties empty for over 2 years.

2. CURRENT POSITION

2.1 In 2013 the Council resolved to change the above discounts in the following ways;

- The Second Home charge was changed to a 5% discount. It is was considered beneficial to the borough to be able to identify second homes so it is proposed that a charge of 95% be levied in order to be able to still identify which dwellings are second homes.
- Empty Dwellings Undergoing Major Repairs had a discount set of 50% for up to 12 months. This was to ensure an incentive remained to undertake renovation and restoration works on properties.

- Short-Term Vacant Dwellings were changed to a 100% discount for a period of 3 months. The decision was based upon the need to alleviate the problem of small bills and to allow time to refurbish or re-let properties.
- Empty Homes Premium was introduced which put a 50% premium on any properties empty for over 2 years to provide an incentive to bring long term empty properties back into use.

2.2 Major preceptors (Norfolk County Council and Police) were in agreement with the proposals for the new discounts and exemptions.

3. **PROPOSALS FOR CHANGE**

3.1 Since these came into force in April 2013 there has not been a formal review of these discounts. Reviews are now being carried out by other Councils within Norfolk to revisit these discounts to increase the tax base. Appendix 2 outlines the current and potential changes under review to these discounts across Norfolk.

3.2 The following outlines the proposals in relation to each discount. Appendix 1 details potential savings based on options to change these discounts.

Empty Dwelling Restricted Periods of Occupancy (Class A)

It is proposed to reduce this discount to 10%.

Empty Furnished Dwelling/Second Home (Class B)

It is proposed to remove this discount.

Vacant Dwelling (Class C)

It is proposed that this discount changes from 100% discount for a period of 3 months to a 100% discount for 1 month. This change will bring about a significant increase in the tax base.

Long Term Empty Properties (Class C)

There is currently no discount awarded on these properties and therefore there is no scope to increase the tax base here.

Empty Homes Premium (Class C)

The Council currently charges the maximum 50% premium for properties empty for over 2 years and there is no more scope to increase the tax base here.

Empty Dwelling Undergoing Major Repair (Class D)

It is proposed to remove this discount.

4. FINANCIAL IMPLICATIONS

4.1 Potential savings to reduce the Class A discount

Preceptors

Reduce Discount to	Saving	NCC	PCC	GYBC
10%	364,697.60	280,087.80	49,963.57	34,646.27

4.2 Potential savings to reduce the Class B Discount

Preceptors

Reduce Discount to	Saving	NCC	PCC	GYBC
0%	23,128.77	17,762.89	3,168.64	2,197.23

4.3 Potential savings to reduce the Class C Discount

Preceptors

Reduce Discount to	Saving	NCC	PCC	GYBC
30 days	232,717.80	178,727.30	31,882.34	22,108.19

4.4 Potential savings to reduce the Class D Discount

Preceptors

Reduce Discount to	Saving	NCC	PCC	GYBC
0%	38,017.30	29,197.28	5,208.37	3,611.64

5. RISK IMPLICATIONS

- 5.1 Any reductions or removal of discounts could result in collection of Council Tax in some cases being problematic and could increase the cost of collection.

6. RECOMMENDATIONS

- 6.1 To proceed with the reduction in discount to Class A to 10%
- 6.2 To proceed with the removal of discount for Class B
- 6.3 To proceed with the reduction in awarding the discount of 100% from 3 months to 1 month for Class C
- 6.4 To proceed with the removal of discount for Class D

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration	Comment
Monitoring Officer Consultation:	
Section 151 Officer Consultation:	Yes
Existing Council Policies:	Yes
Financial Implications:	Yes as outlined
Legal Implications (including human rights):	Council Tax Legislation
Risk Implications:	Yes as outlined
Equality Issues/EQIA assessment:	
Crime & Disorder:	
Every Child Matters:	

Appendix 1

Class A - unoccupied and furnished with planning restriction on periods of occupancy Currently 50% discount)

50% discount = 569849.72, therefore 10% discount = 113969

So if charged the following discounts we would increase the revenue by the following amounts

Options

Reduce Discount to	Saving	Less 20% for prudent estimate	Preceptor split			
			NCC	PCC	GYBC	Total
40%	113968	91174.4	70021.94	12490.89	8661.57	91174.4
30%	227936	182348.8	140043.9	24981.79	17323.14	182348.8
20%	341904	273523.2	210065.8	37472.68	25984.70	273523.2
10%	455872	364697.6	280087.8	49963.57	34646.27	364697.6
0%	569840	455872	350109.7	62454.46	43307.84	455872

Considerations

Based on an average of 1700 properties

This discount could be reduced although it is not recommended to remove. A significant number of properties would be affected.

To reduce the discount to 10% would provide a saving of approximately £34K for GYBC

It is possible we may still benefit should some of these properties move into Business Rates where the ratepayer chooses to make it available to let for over 120 days

Class B - unoccupied and furnished or second homes (currently 5% discount)

5% discount = £28,910

Option

Remove discount to 0% discount

Reduce Discount to	Saving	Less 20% for prudent estimate	Preceptor split			
			NCC	PCC	GYBC	Total
0%	28910.96	23128.77	17762.89	3168.641	2197.233	23128.77

Considerations

Based on an average of 834 properties during the course of 2015/16

Recommend to remove discount

Class C3 - Unoccupied and unfurnished properties (currently 100% discount for three months)

Options

100% Discount period	Saving, please see note		Preceptor split			
			NCC	PCC	GYBC	Total
60 days	96012.03	88011.03	67592.47	12057.51	8361.05	88011.03
30 days	253874.00	232717.83	178727.30	31882.34	22108.19	232717.83
7 days	461236.00	422799.67	324710.14	57923.55	40165.97	422799.67
no days	548575.23	502860.63	386196.96	68891.91	47771.76	502860.63

Note - some may be occupied single residents (SPD) and not be full charge. A third of the data base is SPD. So the calculation is 2/3 at full charge and one third at 75%

Considerations

Based on an average of 5460 properties during the course of 2015/16

To remove this discount all together would be a significant change. It is recommended to reduce this discount to 1 month which would still provide a saving of £22K for GYBC with the option to remove the discount in future years.

Class D - unoccupied and unfurnished and major repairs required (Currently 50% for 12 months)

50% discount =47521.62

Options

Reduce Discount to	Saving	Less 20% prudent estimate	Preceptor split			
			NCC	PCC	GYBC	Total
25% discount	23760.81	19008.64	14598.64	2604.18	1805.82	19008.65
0% discount	47521.62	38017.29	29197.28	5208.37	3611.64	38017.30

Considerations

Based on an average of 228 properties during the course of 2015/16

Recommend to remove this discount

Appendix 2

Norfolk Districts – Current

District	Class A	Class B	Class C	Class D
Breckland	No discount	No discount	100% discount for 3 months from the date they became empty	50% discount for a maximum of 12 months from the date they became empty
Broadland	No discount	No discount	No discount	No discount
Great Yarmouth	50%	5%	100% discount for 3 months from the date they became empty	50% discount for a maximum of 12 months from the date they became empty
King's Lynn and West Norfolk	No discount	No discount	100% discount for 3 months from the date they became empty	50% discount for a maximum of 12 months from the date they became empty
North Norfolk	50%	5%	100% discount for 3 months from the date they became empty	50% discount for a maximum of 12 months from the date they became empty
Norwich	5%	5%	No discount	50% discount for up to 12 months
South Norfolk	5%	5%	100% discount for 3 months from the date they became empty	50% discount for a maximum of 12 months from the date they became empty

Norfolk Districts – Proposed or Under Review

District	Class A	Class B	Class C	Class D
Breckland	No discount	No discount	Under Review - 100% discount for 3 months from the date they became empty	Under Review - 50% discount for a maximum of 12 months from the date they became empty
Broadland	No discount	No discount	No discount	No discount
Great Yarmouth	10%	No discount	100% discount for 1 month	No discount
King's Lynn and West Norfolk	No discount	No discount	No discount subject to approval	No discount subject to approval
North Norfolk	50% under review	5% under review	Under review - 100% discount for 3 months from the date they became empty	50% discount for a maximum of 12 months from the date they became empty
Norwich	5%	5%	No discount	50% discount for up to 12 months
South Norfolk	5%	5%	Under Review - 100% discount for 3 months from the date they became empty	50% discount for a maximum of 12 months from the date they became empty