

7 November 2012		ITEM 5
Corporate Overview and Scrutiny Committee		
LOCAL COUNCIL TAX EXEMPTIONS AND DISCRETIONARY DISCOUNTS DRAFT		
Report of: Cllr Phil Smith, Portfolio Holder For Central Services		
Wards and communities affected: N/A	Key Decision: N/A	
Accountable Head of Service: Sean Clark, Head of Corporate Finance		
Accountable Director: Martin Hone, Director of Finance & corporate Governance		
This report is public		
<i>If the report, or a part of this, has been classified as being either confidential or exempt by reference to the descriptions in Schedule 12A of the Local Government Act 1972, it is hereby marked as being not for publication. The press and public are likely to be excluded from the meeting during consideration of any confidential or exempt items of business to which the report relates.</i>		
Date of notice given of exempt or confidential report: N/a		
Purpose of Report: To outline for consideration the potential options available to Thurrock in relation to the forthcoming changes to legislation affecting exemptions and Discretionary discounts.		

EXECUTIVE SUMMARY

As part of the localism agenda the Government is seeking to make amendments to the Local Government Finance Act 1992 that will enable local authorities to agree and set their own Council Tax discounts and exemptions.

This report sets out the potential options available to Thurrock

1. RECOMMENDATIONS:

- 1.1 That Overview and Scrutiny consider the options available to Thurrock as outlined in this paper in conjunction with the output of the task and finish group in order to make recommendations for Cabinet approval.**

2. INTRODUCTION AND BACKGROUND:

2.1 The specific Council Tax exemptions under consideration are for three main classes.

(i) **Class A** - Vacant dwellings undergoing major repair works or structural alterations.

Currently the statutory exemption for Class A is 100% for a period of up to 12 months. The proposed amendment will replace this exemption with a discretionary discount where the council will have discretion to set the level of discount applied to 'Class A' between 0% and 100%. The council will not have discretion to amend the maximum period which remains fixed at 12 months.

Various scenario based options have been modelled to forecast the financial impact of potential changes and are detailed for consideration in **appendix A**.

2.2 (ii) **Class C** - Vacant dwellings (i.e. empty and substantially unfurnished).

Presently there is a statutory Class 'C' exemption of 100% for a period of up to 6 months. The proposed amendment will replace this exemption with a discretionary discount where the Council will have the discretion to apply a discount between 0% and 100% and also able determine the maximum period that the discount will apply for.

Various scenario based options have been modelled to forecast the impact of potential changes and are detailed for consideration in **appendix B**.

2.3 (iii) **Class L** - An unoccupied dwelling which has been taken into possession by a mortgage lender.

Presently the mortgage lender who takes possession of a property is granted 100% exemption until such time the property is sold. The proposed amendments will allow the Council to bill the mortgage lender the full level of Council Tax from the date they take possession.

No decision is required at this time as this is still under consultation between DCLG and the Financial institutions affected by this proposal and is therefore unlikely to be implemented in time for 2013 billing.

2.4 In addition to the above, the Council will be granted further flexibility to set the level on existing discretionary discount applied to second homes and apply a premium to long term empty property.

2.5 (i) **Long Term Empty** - Where a property remains empty after a period of over 2 years the Council may consider charging a premium of up to 150% of

the total Council Tax which would be payable as if the dwelling was occupied and not subject to a single person's discount.

3 Additional premium options

- 3.1 **0%** - Applying a 0% premium based on 11/12 figures would equate to the continual billing potentially of **£249,525**.

25% - Applying a 25% premium based on 11/12 figures would equate to the potential additional billing of **£62,381**.

Points for Consideration

Those affected may then falsely inform us that the property has become occupied on a single person basis or joint to avoid the extra premium. This would cause an increase in administration and resource costs as more inspections would be required in addition to back office processes such as Experian searches.

These additional amounts may prove difficult to collect due to reluctance of homeowners informing us of details required to enable correct billing.

50% - Applying a 50% premium based on 11/12 figures would equate to the potential additional billing of **£124,762**.

Points for Consideration

Those affected may then falsely inform us that the property has become occupied on a single person basis or joint to avoid the extra premium. This would cause an increase in administration and resource costs as more inspections would be required in addition to back office processes such as Experian searches.

These additional amounts may prove difficult to collect due to the reluctance of homeowners informing us of details required to enable correct billing

A recent DCLG consultation document was issued seeking comment on circumstances to determine that the premium should not be applied.

The outcome of this consultation could see those who are actively attempting to sell or let their property will be exempt from the additional premium and the authority should be able to determine where this is the case.

Therefore the additional income is likely to see a negative effect upon it.

- 3.2 **Second homes discount** - local authorities can currently grant a discount of 10% up to 50% and the Council has opted for the minimum of 10%. Under the current proposed amendments within the Local Government Finance Act the Council will have the ability to opt to charge up to the full Council Tax.

If the authority chooses to remove the 10% discount then based on 11/12 figures the potential additional billing would equate to **£23,868**.

Whilst these homeowners may be upset at such an action it is felt there would not be such an impact as to encourage false occupations being created which would require inspections and Experian searches as the majority would pay.

4 PROGRESS TO DATE

- 4.1 The Government issued a consultation paper in October 2011 entitled "Technical Reforms for Council Tax" which put forward the proposals set out in Section 2 above.
- 4.2 As of May 2012 the Department for Communities and Local Government (DCLG) has issued a formal paper detailing the Government's response basically moving forward with its original proposals as per the original consultation.

5 GOVERNANCE:

- 5.1 Clearly the issues involved in deciding a local scheme of exemptions are complex. It is proposed that these issues are examined by the Corporate Overview & Scrutiny Committee, and a report from the Committee is put to the next meeting of Cabinet. It should be noted that any proposed changes to take effect from the next financial year commencing 1 April 2013 would have to be agreed ahead of (or at) Council on 28 November, since any amendments would impact on the Council's 'tax base' which is used to calculate the Council Tax collection required to balance the Council's budget, and which must be agreed and reported to DCLG before the beginning of December.

6 IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

- 6.1 Allowing individual local authorities the freedom to varying the levels of exemptions they offer is part of the wider localism agenda being promoted by the Government. For instance, removing the Class A and Class C exemptions could encourage owners to bring properties more swiftly into beneficial occupation. There will also be an impact on the way in which the Council bills and collects Council Tax.

7. IMPLICATIONS

7.1 Financial

Implications verified by: **Martin Hone**
Telephone and email: 01375 652412
mhone@thurrock.gov.uk

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

7.2 Legal

Implications verified by: **David Lawson**
Telephone and email: **01375 652087**
dlawson@thurrock.gov.uk

The legal implications are as set out in the body of the report that the government proposes to make amendments to the Local Government Finance Act 1992 which will enable local authorities to agree and set their own Council Tax exemptions.

7.3 Diversity and Equality

Implications verified by: **Samson DeAlyn**
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The Council is under a duty as set out in the Equality Act 2010 to consider the equality impact of its policies and decisions. The development of proposals relating to Council Tax exemptions through Corporate Overview & Scrutiny Committee Task & Finish Group should include equality considerations and the undertaking of a robust equality impact assessment. The Council will need to be satisfied that any report to Cabinet with a view to implementing a new scheme from April 2013 contains sufficient evidence to satisfy the 'equality test' as any plan will be highly relevant to the equality duty.

The Director of Finance & Corporate Governance as the lead officer will be provided with guidance on the equality dimensions of any plans to develop the Council Tax exemptions scheme.

7.4 Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental

None at this stage of the project

BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):

- N/A

APPENDICES TO THIS REPORT:

Appendix A – Class A Options for consideration

Appendix B – Class C Options for Consideration

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