



CABINET REPORT

Report Title	REVIEW OF COUNCIL TAX DISCOUNTS AND EXEMPTIONS 2013-2014
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	19 th December 2012
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Finance & Resources
Accountable Cabinet Member:	Alan Bottwood
Ward(s)	All

1. Purpose

- 1.1 To recommend to Council changes to the Council Tax Discounts and Exemptions to take effect from the 1st April 2013.

2. Recommendations

- 2.1 Cabinet recommend the following changes in Council Tax discounts and exemptions to Council take effect from the 1st April 2013:
- That Class A (vacant properties undergoing alterations as defined by the regulations) attract a 100% charge from the day they become vacant
 - That Class C (empty unfurnished properties as defined by the regulations) attract a 100% charge from the day they become vacant
 - That Second homes (as defined by the regulations) to be charged at 100%
 - That Class L (repossessed properties) attract a 100% charge from the day of repossession should the necessary legislation be in place to allow this from the 1st April 2013.
 - That the long-term empty property premium of 150% is implemented for properties vacant for over two years.

- That the above policy position in respect of discretionary discounts and exemptions be kept under review in respect of future years

3. Issues and Choices

3.1 Report Background

3.1.1 In October 2011 the Government consulted on proposed reform to discounts and exemptions within the Council Tax system from 2013-14. These being:

- Give billing authorities the power to levy up to full council tax on second homes.
- Replace existing Class A and C exemptions for vacant homes with discounts of up to 100%, the amount of which it would be for billing authorities to determine.
- Abolish Class L exemption, and make mortgagees in possession of empty dwellings liable to council tax in respect of them.
- Allow billing authorities to levy an 'empty homes premium' over and above full council tax liability in respect of dwellings which have been left empty for two years or more.

3.1.2 Northampton responded to the Government consultation on these technical reforms during 2011. The Government has subsequently published its response and the draft Regulations.

3.1.3 Whilst the Local Government Finance Act 2012 was enacted on 31st October the regulations are still draft. These provisions are due to commence on 1 April 2013, or when the appropriate enabling legislation has been enacted, whichever is the later.

3.1.4 Definitions of discounts and exemptions being considered

- Class A - New/altered properties

An empty and unfurnished property is exempt from council tax if that property requires or is undergoing major or structural repair work, and for six months from the date the major work finishes.

- Class C - Empty and unfurnished properties

A property is exempt from Council Tax payment for six months from the date it becomes empty and substantially unfurnished. For example, if you move out of your house, and take all your furniture with you whilst you are trying to sell it, you will not have to pay Council Tax for the first six months.

The exemption does not restart after a change in ownership. Therefore, if you buy a house that has already been empty and unfurnished for four months, and you keep it empty and unfurnished, you will only have two months exemption before the Council Tax is charged.

When we work out how long a property has been empty, we cannot include any periods of time when the property was occupied for less than six weeks.

- Class L – Repossessed

This exemption applies when a customer's house is repossessed by their mortgage company and is left empty. The mortgage company takes possession of the property due to non-payment.

- Second homes (discount)
These are properties where a person's sole or main residence is elsewhere and are one of the following: furnished and unoccupied properties, second homes, or holiday homes.
- Long-term empty homes (discount)
These are properties that were previously entitled to a class C exemption, which have already been empty for 6 months and still remain empty and unfurnished. No discount is awarded at present.
- Long-term empty homes (premium)
Allow billing authorities to levy an 'empty homes premium' over and above full council tax liability in respect of dwellings which have been left empty for two years or more.

3.2 Issues

- 3.2.1 The report represents the application of a prescribed process.
- 3.2.2 The proposal to change council tax discounts and exemptions must be seen in the wider context of delivering a balance budget for 2013/14 and is part of a number of options to achieve the same.

3.3 Choices (Options)

In summary, the changes being proposed include:

- 3.3.1 Remove mandatory exemptions for empty property Class A undergoing alterations and replace with a locally set discount
 - Class A is currently a mandatory exemption of 100% for up to 12 months for a vacant dwelling where major repair works or structural alteration are required. It also includes properties that have undergone repair work and newly completed properties, if less than 6 months have elapsed since the works were completed
- 3.3.2 Remove mandatory exemptions for empty property Class C Empty and Unfurnished and replace with a locally set discount
 - Class C – currently a mandatory exemption of 100% for up to 6 months for a vacant dwelling.
 - Vacant dwellings are defined as unoccupied and substantially unfurnished
- 3.3.3 Remove exemption from repossessed property (Class L)
 - Abolishing Class L exemption and making mortgagees in possession of empty dwellings liable to council tax in respect of them. This proposal is still subject to further consultation with the mortgage lending sector.
- 3.3.4 Remove mandatory 10% discount for second homes

- Giving billing authorities power to levy up to full council tax on second homes. Currently authorities can award a discount of between 50% and 10%, Northampton awards 10%, the minimum allowable.

3.3.5 Allow a premium charge of up to 50% for property empty for over 2 years

- Allowing billing authorities to levy an 'empty homes premium' of 150% in respect of dwellings which have been left empty for two years or more.

4. Implications (including financial implications)

4. Policy

4.1.1 None

4.2 Resources and Risk

4.2.1 The proposal to change council tax discounts and exemptions must be seen in the wider context of delivering a balance budget for 2013/14 and is part of a number of options to achieve the same.

4.2.2 Further to the government enacting the legislation, and if NBC were to implement in full, and the behaviours and activities of Council Tax payers remained the same as currently, the following income could be achieved.

Exemption/Discount	Awarded 12/13	NBC Element
New/altered properties	£196.8k	£30.5k
Empty & unfurnished properties	£1,377.4k	£213.5k
Reposessed	£51.0k	£7.9k
Second homes	£26.7k	£4.1k
Long-term empty homes	£158.4k	£24.6k
Total	£1,810.3k	£280.6k

4.2.3 The Government does not propose to allow authorities to grant a grace period for properties undergoing alterations (Class A). The authority can however decide the level of discount to be applied between 0% and 100% for the 12 month period. Landlords, builders and developers will be impacted by this charge if they have to refurbish properties between purchases and lets.

4.2.4 The change to the 'Class C' exemption could provide significant income due to it being the most common exemption currently granted. However a significant part of the exemptions apply where properties are changing hands at time of sale or is charged to landlords/owners between lets.

4.2.5 For empty properties the effective date for the change is the day the property became vacant and not the 1st April 2013. For example if a property in Class C has been empty for more than 1 month as at 1st April 2013 it will attract a full charge from 1st April 2013.

4.2.6 By amending classes A and C, there is an inevitable impact of this change on Northampton Council Housing as properties often take time to be re-let. Any decision would impact on the HRA.

- 4.2.7 There is a risk that the removal of Class L could potentially result in more Law of Property Act Receivers being appointed, rather than repossessions, which by their nature, will result in uncollectable debts being raised. This is where a property is no longer under the control of the legal owner, however is not classed as repossessed.
- 4.2.8 It should be noted that the provision with regard to mortgagees in possession has not been commenced with the other provisions of the Local Government Finance Act 2012. Further to this the Government has indicated that it is continuing consultation with mortgagees to discuss the new provisions. It therefore remains possible that the relevant legislation will not be set down and if this occurs, the income associated to this reform will not be forthcoming.
- 4.2.9 A risk of the premium for long term empty properties in raising additional income, is that customers may take steps to evade this, or avoiding informing us that the property has become empty.
- 4.2.10 The Government are still consulting on possible exceptions from the “empty homes premium”. This would impact on potential income if a large number of customers qualify for exception.
- 4.2.11 With removal of the exemptions, potential increase in number of claims for discretionary discounts under section 13A of the Local Government Finance Act 1992. This is borne by the Billing Authority, and NBC would have to finance the loss to the other precepting Authorities.
- 4.2.12 It is unlikely that that full amount projected in 4.2.1 would be collectable, for the reasons detailed above. Therefore the table below is an estimated amount which will be collected.

Exemption/Discount	Awarded 12/13	NBC Element
New/altered properties	£98.4k	£15.3k
Empty & unfurnished properties	£688.7k	£106.7k
Repossessed	£24.0k	£3.7K
Second homes	£2.7k	£0.4k
Long-term empty homes	£0k	£0
Total	£813.8k	£126.1

- 4.2.13 The Government has announced an intention to develop or amend regulations to enable these reforms however this has not yet been put out to consultation. Until such a time as the legislation is made and enacted, the reforms will not be possible. However, it is necessary for the Council to consider the recommendations detailed in principle in order to complete the budget build process.
- 4.2.14 No resource is required. A decision on the recommendation is required as this is integral to the Council Tax Base setting process, which has to be determined by the 31st January 2013 by Full Council.

4.3 Legal

- 4.3.1 These are covered within the body of the report.

4.4 Equality

- 4.4.1 A equality impact assessment has been undertaken, see appendix 1
- 4.4.2 No direct impact on equality has been identified, however we will monitor to ensure unforeseen equality issues are identified and used to inform future reviews of this policy.
- 4.4.3 No direct impact on equality context, however any resulting impact on options/ consultations for budgets will have to be considered individually.

4.5 Consultees (Internal and External)

- 4.5.1 Internal: Finance & Support – Section 151 Officer
Legal Services – Solicitor to the Council
- 4.5.2 External: None

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 Maximising income streams is a key ingredient in effective financial governance, which contributes to the priority of making every pound go further.

4.7 Other Implications

- 4.7.1 None

5. Background Papers

- 5.1 None

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