

28 November 2012		ITEM: 16
Council		
LOCAL COUNCIL TAX EXEMPTIONS AND DISCRETIONARY DISCOUNTS		
Report of: Cllr Phil Smith		
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exempt by reference to the descriptions in Schedule 12A of the Local Government Act 1972, it is hereby marked as being not for publication.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:		
Purpose of Report: Further to the meetings held by the Task and Finish Group and Corporate Overview and Scrutiny Committee, recommendations are being made to Council with regards to agreeing and implementing the potential options available to Thurrock in the light of recent changes to legislation affecting Council Tax exemptions and discretionary discounts.		

EXECUTIVE SUMMARY

The Government issued a consultation paper in October 2011 entitled “Technical Reforms for Council Tax” which put forward, as part of the localism agenda, plans to allow Councils to set and/or vary a range of exemptions and discounts for Council Tax in their area. In May 2012 the Department for Communities and Local Government (DCLG) issued a formal paper detailing the Government’s response to the consultation, basically moving forward with its original proposals. The Government has now made amendments to the Local Government Finance Act 1992 that will enable local authorities to agree and set their own Council Tax discounts and exemptions with effect from April 2013.

This report sets out the potential options available to Thurrock.

1. RECOMMENDATIONS:

1.1 To apply the following exemptions/discounts to Council Tax for 2013/14:

- **Class A:** That a 50% discount would apply for up to the 12 month statutory period.
- **Class C:** That a 100% exemption is granted for up to 3 months.
- **Second homes discount:** That the discount be set at 0%.
- **Long Term Empty Properties (properties being empty over 2 years):** That the premium is set at 50%

1.2 To approve the broad definition for Class A Council Tax exemptions as set out in Appendix C to this report

2. INTRODUCTION AND BACKGROUND:

2.1 The Council Tax exemptions/discounts that have been the subject of recent changes in legislation under consideration relate to three main classes:

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

Previously, the statutory exemption for Class A was 100% for a period of up to 12 months. The legislative changes have replaced this exemption with a discretionary discount where the Council can 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**. It is recommended that the discount be set at 50% for 2013/14.

In addition, it is necessary for each authority to define outline criteria for the discount, and the recommended definition is set out in **Appendix C**.

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

The statutory Class C exemption of 100% for a period of up to 6 months has been replaced with a discretionary discount where the Council has the option to apply a discount of 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.

Until the recent changes in legislation, a mortgage lender who takes possession of a property was granted 100% exemption until such time as the property was sold. In future, Councils may be able to bill the mortgage lender the full level of Council Tax from the date they take possession.

However, no decision is required at this time as the matter is still under consultation between DCLG and the financial institutions affected by this proposal and is therefore unlikely to be implemented in time for 2013/14 billing.

- 2.4 In addition to the above, the Council has been granted further flexibility to adjust the levels of existing discretionary discount applied to second homes, and also to apply a premium to long-term empty property. It is recommended that the discount on second homes be reduced from the current 10% to 0% with effect from April 2013 and that the premium on properties empty for more than two years should be set at 50% - in other words that in addition to the annual Council Tax on the property, the owner will be charged an additional 50% per annum until such time as the property is occupied.

- 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 BUDGETARY IMPACT:

- 3.1 Clearly the issues involved in deciding a local scheme of exemptions are complex. The various proposals were examined by the Corporate Overview & Scrutiny Committee earlier this month and Appendices A and B set out the likely impact of different options in terms of the amount of additional Council Tax that might be collected and also some of the risks associated with each option. 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 by 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.

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

- 4.1 Allowing individual local authorities the freedom to vary the levels of exemptions and discounts 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.

5. IMPLICATIONS

5.1 Financial

Implications verified by: **Martin Hone**
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The financial implications are as set out in the body of the report and Appendices A and B.

5.2 Legal

Implications verified by: **David Lawson**
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The legal implications are as set out in the body of the report that the government has made amendments to the Local Government Finance Act 1992 which will enable local authorities to agree and set their own Council Tax exemptions and discounts.

5.3 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 and discounts 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 they consider 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.

5.4 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

Appendix C – Definition of Class A for the purposes of the scheme

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