

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Council Tax – Review of discounts

Meeting/Date: Overview and Scrutiny Panel (Performance and Growth) – 5 February 2019
Cabinet – 14 February 2019

Executive Portfolio: Cllr JA Gray – Executive Councillor for Resources

Report by: Revenues and Benefits Manager

Wards affected: All

Executive Summary:

Provisions within the Local Government Finance Act 2012 give local authorities the power to determine locally set Council Tax discounts for certain classes of dwellings.

Following the passing of this legislation in 2012, Huntingdonshire District Council (HDC) determined a number of locally set discounts that have been applied since April 2013. An amendment to part of the relevant legislation has prompted a review of how these discounts are applied resulting in proposals to amend two of them.

These changes would lead to an increase in the Council Tax Base and an increase in income to HDC and the other preceptors.

Recommendation(s):

Cabinet is recommended to approve the amendments to the Council Tax discounts set out in this report:

- unoccupied and substantially unfurnished properties to receive 0% discount
- premiums to be applied to long term empty properties in line with the amended legislation

with effect from 1 April 2019.

1. PURPOSE OF THE REPORT

- 1.1 Legislation allows a billing authority to specify the level of discount applied to certain classes of dwellings; that is to determine how much Council Tax liability should be levied in specific circumstances.
- 1.2 In 2013, HDC determined the level of discount applied to certain classes of dwellings and those have been applied to date.
- 1.3 In the November 2018 budget, it was announced that the Government intended to legislate to increase the premium that could be applied to long term empty properties and the legislation has now been passed allowing us to review the Council's approach from 2019 onwards.
- 1.4 The legislation relating to the other types of discount can be reviewed for the start of any financial year.
- 1.5 A review of the discounts that could be applied has been undertaken for consideration by Members.

2. BACKGROUND

- 2.1 From 1 April 2013, billing authorities have had discretion to determine the level of Council Tax discount on empty properties as follows:
 - a) Second homes – discount between 0 and 50%
 - b) Properties unoccupied and substantially unfurnished (Class C) – discount between 0 and 100%
 - c) Uninhabitable properties (Class D) – discount between 0 and 100% for up to 12 months
 - d) Long term empty properties – premium of up to 50% after two years
- 2.2 HDC decided to apply locally set discounts as follows:
 - a) Second homes – 0% discount
 - b) Unoccupied and substantially unfurnished properties granted 100% discount for one month and then 0% thereafter (Class C)
 - c) Uninhabitable properties granted 0% discount for a maximum of 12 months (Class D)
 - d) Long term empty properties – a 50% premium applied after two years
- 2.3 An amendment to the legislation took place following the November 2018 budget and billing authorities can now apply additional rates of Council Tax charged on long term empty properties as follows:
 - 100% extra on properties empty between 2 and 5 years (effective from April 2019)
 - 200% extra on properties empty between 5 and 10 years (effective from April 2020)
 - 300% extra on properties empty for more than 10 years (effective from April 2021)
- 2.4 The level of discounts that can be applied in other circumstances has not changed.

3. OPTIONS CONSIDERED

3.1 In reviewing whether to propose changes to the discounts, consideration was given to the number of accounts that would be affected, the amount of resource required to administer the discounts, the likely impact that any changes would have on tax payers, the potential additional income to HDC and other preceptors and the Government's policy intention behind the changes.

3.2 Unoccupied and substantially unfurnished properties (Class C discounts):
It is proposed to reduce the discount to 0% from the date that the property becomes unoccupied and substantially unfurnished. This will bring HDC into line with a number of neighbouring local authorities including South Cambridgeshire DC and Fenland DC.

3.3 The implications of doing this are:

- a) It would simplify the administrative process as there are often disputes over who the discount should be awarded to in landlord / tenant situations.
- b) The maximum additional income generated would be in the region of £390k per annum with HDC's allocation being approximately £35k based on a collection rate of 98.6%.

3.4 Long term empty properties:
It is proposed to apply the maximum premiums allowed in line with the amended legislation.

3.5 The implications of doing this are:

- a) It may encourage owners of long term empty properties to bring them back into use.
- b) The income generated would be in the region of:
2019/20: £9k
2020/21: £15k
2021/22: £16k

4. COMMENTS OF OVERVIEW & SCRUTINY

4.1 The comments of the relevant Overview and Scrutiny Panel will be included in this section prior to its consideration by the Cabinet.

5. KEY IMPACTS / RISKS

5.1 The risk of applying the proposed changes to the locally set discounts is that the person liable to pay the Council Tax does not make the necessary payments. If this occurred, the usual recovery process would take place.

5.2 There may be an increase in the write off of small debts but this will not make the proposals unviable.

6. TIMETABLE FOR IMPLEMENTATION

6.1 The proposed changes would come into force from 1 April 2019 and then April 2020 and April 2021 as set down in the relevant legislation.

7. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES

- 7.1 These proposed changes link to the objective in the Corporate Plan of Becoming a More Efficient and Effective Council by maximising income opportunities where appropriate.
- 7.2 The Council's adopted Housing Strategy 2017-20 includes a priority to "increase Council Tax charges on any homes which have been empty for more than 2 years to discourage them from remaining empty".
- 7.3 Housing Affordability is a key theme in the Council's Annual Governance Statement with a link to the impact of homelessness. The proposed changes seek to encourage that all properties within the district are made available for habitation.

8. RESOURCE IMPLICATIONS

- 8.1 The effect of any decision to reduce the level of discounts will increase the Tax Base and the income derived by all preceptors proportionately to the amount of their precept.

9. REASONS FOR THE RECOMMENDED DECISIONS

- 9.1 It is recommended that HDC sets the discount applied to unoccupied and substantially unfurnished properties at 0% and increases the premium levied on long term empty properties to support the objective in the Corporate Plan of maximising income opportunities and to maximise the available housing stock.

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