

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Corporate Performance Panel		
DATE:	10 September 2018		
TITLE:	Council Tax Discounts 2018/2019 and 2019/2020		
TYPE OF REPORT:	Policy Development		
PORTFOLIO(S):	Leader		
REPORT AUTHOR:	Jo Stanton, Revenues and Benefits Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	Yes

REPORT SUMMARY

PURPOSE OF REPORT/SUMMARY:

This report covers three proposed changes to Council Tax discounts for 2018/2019 and 2019/2020. The first is a review of the one month, 100% discount for empty and unfurnished properties. The second is the increased premiums payable for long term empty properties. The third is the introduction of a 100% discount for care leavers. The first two changes are proposed to take effect starting from 1 April 2019, with the Care Leavers' discount starting from 1 April 2018.

KEY ISSUES:

Empty and Unfurnished Properties:

The Council awards a 100% discount for one month for properties when they first become empty and unfurnished. This was reduced from three months from 1 April 2017. The one month discount has created a large administrative burden and causes disputes between landlords and tenants. This report considers removing the discount completely from 1 April 2019.

Long Term Empty Properties:

The government has recently legislated to allow councils to increase the premiums they charge for properties empty for more than two years from 50% to 100% from 1 April 2019 onwards. Late amendments to the Bill by the Lords introduced higher premiums for properties in subsequent years still empty after five and then ten years. This report outlines the changes and the potential impact on the taxbase.

Care Leavers:

Norfolk County Council has asked all Norfolk authorities to consider introducing a 100% discount for care leavers so they have no council tax to pay. The county will meet 75% of the cost of the discount. This report details the criteria and the implications for care leavers and the council.

OPTIONS CONSIDERED:

The Council can decide to do nothing and keep the discounts as they are, to make the recommended changes for 2018/2019 and 2019/2020, or to implement only some of the recommendations.

RECOMMENDATIONS:

- 1. The Panel considers supporting the proposal to remove the one month 100% discount for empty and unfurnished properties from 1 April 2019 and makes a recommendation to Cabinet (2.7)**

2. The Panel supports the maximum increases to the long term empty property premium starting from 1 April 2019 and makes a recommendation to Cabinet (3.8)
3. The Panel supports introduction of the Care Leavers' local discount from 1 April 2018 on the criteria listed in the report and makes a recommendation to Cabinet (4.10)

REASONS FOR RECOMMENDATIONS:

To ensure council tax discounts are reviewed and updated in line with recent changes

REPORT DETAIL

1. Introduction

- 1.1. The council has the power to vary the level of certain council tax discounts, and to introduce local discounts. Sections 2 and 4 of this report detail proposed changes to the empty and unfurnished discount, and the introduction of a new discount for care leavers.
- 1.2. Recent legislation now allows councils to charge higher premiums for long term empty properties which increase further depending on how long a property has been empty. Section 3 details the changes the council could choose to adopt.

2. Empty and Unfurnished Properties

- 2.1 The council has the power to reduce the discount for empty and unfurnished properties to zero, and to decide how long the discount applies for. From 1 April 2017 the council reduced the maximum time for the 100% discount for empty / unfurnished properties from three months to one month. After this the full council tax charge is payable.
- 2.2 The change increased the taxbase, but has also increased the resources needed to administer the one month discount. More and more disputes are happening between landlords and tenants over when a property became unfurnished, therefore who is entitled to the discount, and complaints have been received from letting agents and landlords alike. There is also a rise in the number of formal appeals being made.
- 2.3 The monetary value of any discount awarded is usually low – on an average band A property it is £96 – but all of the disputes take staff resources to resolve, moving them away from other work.
- 2.4 Removing the discount would dispel the potential for disputes as the full council tax charge would be payable from the day the property become empty and unfurnished. The question of when the furniture was removed, and thus when the one month exemption applies from, would no longer be relevant. Staff would be freed up to verify other discounts, for example the single resident discount.
- 2.5 Other Norfolk councils allow the following discounts for empty and unfurnished properties:

	Empty and Unfurnished
Breckland	100% (1 month)
Broadland	0%
Gt Yarmouth	100% (1 month)
North Norfolk	0%
Norwich	0%
South Norfolk	100% (1 month)

- 2.6 The implications of completely removing these discounts and charging 100% council tax are detailed below and small amount of extra income is generated for the council. These figures are based on data as at 25 July 2018:

	Empty and Unfurnished
Properties Affected	82
Taxbase Increase @ Band D	63.8
Additional Revenue Raised	£110,548
Norfolk County Council	£84,390
Norfolk Police and Crime Commissioner	£14,619
Parishes (Average)	£3,795
BCKLWN	£7,743

2.7 Recommendation: The Panel considers supporting the proposal to remove the one month 100% discount for empty and unfurnished properties from 1 April 2019 and makes a recommendation to Cabinet.

3. Long Term Empty Properties

- 3.1. Since 2013 councils have been able to charge an additional premium of 50% for properties left empty and unfurnished for more than two years, bringing the total council tax charge to 150%.
- 3.2. From 1 April 2019 onwards the government are allowing councils to charge higher premiums in addition to the normal council tax bill. The premium increases the longer the property is left empty as below:

	2019/2020	2020/2021	2021/2022
Empty for between 2 and 5 years	100%	100%	100%
Empty for between 5 and 10 years	100%	200%	200%
Empty for over 10 years	100%	200%	300%

Maximum Premium payable in addition to the normal 100% council tax bill

- 3.3. The council can choose to apply a premium up to the amount shown in the table. This means that a property left empty for over 10 years could pay up to quadruple (400%) council tax from 2021.
- 3.4. The premium does not apply to any empty property qualifying for an exemption, for example while waiting for probate to be granted or where the owner is now in a care home.
- 3.5. The intention of the change is to encourage owners of long term empty properties to bring them back into use. If the policy is successful the additional taxbase figures shown below will be lower.
- 3.6. The breakdown of long term empty properties is shown below, alongside the potential increases in the taxbase and council tax income.

Long Term Empty Properties	A	B	C	D	E	F	G	H	Total
Empty between 2 and 5 years	25	22	23	9	4	6	3	0	92
Empty between 5 and 10 years	72	17	8	4	0	3	0	0	104
Empty over 10 years	26	16	7	5	2	0	1	0	57
Total									253

Long term empty properties by length of time empty and council tax band

3.7. The year by year increase in the taxbase from applying the maximum increases is shown below:

	Taxbase Increase @ Band D 2019/2020	Taxbase Increase @ Band D 2020/2021	Taxbase Increase @ Band D 2021/2022	Total Increase over 3 years
Empty between 2 and 5 years	40.9	0	0	40.9
Empty between 5 and 10 years	38.3	76.7	0	115.0
Empty over 10 years	22.6	45.1	45.1	112.8
Additional Taxbase	101.8	121.8	45.1	268.7
Band D Council Tax (Est)	£125.87	£130.37	£134.87	
Additional Income (BCKLWN)	£12,811	£15,876	£6,084	£34,771

3.8 Recommendation: The Panel supports the maximum increases to the long term empty property premium starting from 1 April 2019 and makes a recommendation to Cabinet

4. Care Leavers

4.1. At its Council meeting of 24 September 2018, Norfolk County Council are seeking to approve the principles of, and funding for 75% of the cost of, a local council tax discount for care leavers in Norfolk who meet the following criteria:

- They have left the care of Norfolk County Council,
- They have not yet reached their 25th birthday, and
- They are solely liable for the council tax, or liable with another person(s) who is also a care leaver

4.2. The discount will not be means tested or based on any other circumstances as long as the person qualifies as a 'care leaver' and is under the age of 25. Norfolk County Council will notify billing authorities of eligible care leavers in their area.

4.3. The discount will support care leavers as they start to live independently, helping them to manage their finances by relieving some of the monetary pressure this often vulnerable group faces. It supports Norfolk County Council's aspirations for care leavers, and the recommendations in the government's 'Keep on Caring' strategy from July 2016.

4.4. Billing authorities have powers to decide a local council tax discounts under s13a Local Government Finance Act 1992, for individual cases or a class of cases. The care leavers' discount would be allowed under these regulations.

4.5. The discount is applied after any other reductions, for example single resident discounts and council tax support, and reduces the council tax bill to nil. The discount ends on the care leaver's 25th birthday. It would not apply if the care leaver is living with someone else who is not a care leaver.

4.6. The aim is for the discount to be a Norfolk-wide scheme, with authorities in Suffolk adopting a similar discount. It is intended to support care leavers as they leave the care of Norfolk County Council and start to become independent.

4.7. The discount applies in the following ways:

- A care leaver who is the sole resident and solely liable for council tax = 100% discount
- A care leaver who is a jointly resident and liable for council tax with another care leaver = 100% discount
- A care leaver who is jointly resident and liable for council tax with someone who is not care leaver = no discount

4.8. Norfolk County Council has supplied a list of care leavers in the Borough as at April 2018. There are 62 people on the list, 16 of whom are liable for council tax and would qualify for the discount.

4.9. The cost of the local discount is shown below:

	2018/2019
Estimated Discount Cost	£3,930
Amount Funded by Norfolk County Council	£2,948
Cost to the Borough Council	£982

4.10. **Recommendation: The Panel supports introduction of the Care Leavers' discount on the criteria listed above and makes a recommendation to Cabinet.**

5. Corporate Priorities

5.1 The changes support the following Corporate Priorities:

- Corporate Priority 2: Drive Local Economic and Housing Growth, by encouraging empty properties back into use, and
- Corporate Priority 6: Work with our partners on important services for the borough

6. Financial Implications

6.1 The potential net overall impact on the taxbase of the proposed discount changes for 2019/2020 is shown below:

Change	Impact on Taxbase @ Band D for 2019/2020
Removal of Empty and Unfurnished Discount	+63.8
Increase in Long Term Empty Property Premium	+101.8
Overall Impact at Band D	+165.6

6.2 Local discounts are not shown as part of the council's taxbase but do reduce the council's income to the Collection Fund. Norfolk County Council will make an annual reimbursement of their contribution towards the cost of the Care Leavers' discount. The net cost to the borough council is £982 for 2018/2019.

6.3 A £10,000 Discretionary Hardship fund is maintained to assist those experiencing difficulty as a result of changes to discounts, and this will continue for 2019/2020. This fund is extended to any category of taxpayer as the Council sees fit, for example those bringing a long empty property back into use to live in as their own home.

6.4 Individual applications are considered by the Portfolio Holder and Ward Member under delegated powers. Cabinet will be asked to approve amending the current delegated authority for considering individual applications for council tax discounts to read 'applications will be determined by the Revenues and Benefits Manager in consultation with the Portfolio Holder for Resources' so it is in line with other discretionary Revenues and Benefits policies

7. Any other Implications/Risks

7.1. The income generated from the higher empty homes premium may be less than that estimated in the report. The intention of the premium is to bring long term empty homes back into use so if the policy change is successful it will result in fewer properties paying the premium.

7.2. The cost of the care leavers' discount is based on the number of qualifying people at April 2018. This number will fluctuate so the cost may go up or down.

8. Equal Opportunity Considerations

8.1 None

9. Consultation

9.1 None required

10. Conclusion

10.1 The Panel is asked to review the council tax discounts and make the necessary recommendations to Cabinet.

11. Background Papers

11.1 None