

**COUNCIL TAX DISCOUNTS AND EXEMPTIONS, VOLUNTARY
PAYMENT AND RELATED POLICIES****1. INTRODUCTION**

- 1.1 The purpose of this report is to consider the recommendations of the Council Tax Reduction Task and Finish Group on various Council Tax exemptions and discounts, and also a proposal concerning voluntary Council Tax payments.
- 1.2 The Task and Finish Group were asked to consider a Voluntary Payment from all council tax payers in the highest valuation band, Band H.
- 1.3 The Group also undertook a review of discretionary council tax discounts and the introduction of a premium (which were last considered in December 2013) and policies concerning business rate reliefs and debt collection and recovery.
- 1.4 The recommendations of the Task & Finish Group have been considered by the Corporate Overview Panel. The Panel's recommendations are dealt with in this report.
- 1.5 The effective date of any change would be 1 April 2019.

2. THE CURRENT COUNCIL TAX DISCOUNTS

- 2.1 The Task and Finish Group met to review the current discretionary discounts to council tax payers who meet specified criteria. These are summarised as follows:

Discount/ Premium	Conditions	Discretion available	Current discount or premium applied by NFDC	Quantity
Prescribed Class B	Property is unoccupied and furnished (commonly known as a second home)	Discount of up to 50%	0%	1,500
Prescribed Class C	Property is unoccupied and substantially unfurnished	Discount between 0% and 100% for up to 6 months. Both amount and duration are discretionary.	100% for 1 month from date property first becomes unoccupied and unfurnished	4,002 (17/18)
Prescribed Class D	Property is unoccupied and substantially unfurnished and requires major repair works to render it habitable.	Discount between 0% and 100% for 12 months. Only the amount is discretionary, not the duration.	50%	528 (17/18)
Empty Homes Premium	Unoccupied and substantially unfurnished for 2 years or more	Currently 50%. From April 2019, this discretion will rise to 100%	0%	158

3. DISCUSSION ON DISCOUNTS AND EXEMPTIONS BY TASK & FINISH GROUP

3.1 The Group discussed the above discounts.

- A. **Prescribed Class B (Second Home).** This discount applies to properties which are unoccupied and furnished, commonly known as second homes. Local authorities have discretion to set a discount of up to 50%. From 2013 members decided not to award a discount and to charge the full council tax.

The Group recommend no change.

- B. **Prescribed Class C.** This discount applies to properties which are unoccupied and substantially unfurnished. Local authorities have discretion to set a discount of between 0 and 100% for any period up to 6 months. The discount applies from the date the property first becomes unoccupied and substantially unfurnished. After the discount ends, the full council tax is payable.

The current discount is 100% for 1 month. The reasoning for the discount is to allow sufficient time for changes in occupation or minor works to be undertaken. Members considered that this should encourage prompt turnover of properties and reduce “voids”. It also avoids billing landlords for small sums between lets.

The Group recommend no change.

- C. **Prescribed Class D.** This discount applies to properties which are unoccupied and unfurnished and where major repair works or structural alterations are required or under way, often referred to as “uninhabitable”.

Local authorities have discretion to set a discount of between 0 and 100% for a maximum period of 12 months. There is no discretion on the duration, only on the amount of discount. After 12 months the discount ends, the full council tax is payable. To reflect that the property cannot be occupied, the current discount in this District is 50% for 12 months.

The Group recommend no change.

- D. **Empty Homes Premium.** Since April 2013 local authorities have the discretion to charge a premium of 50% on top of the applicable council tax where a property has been unoccupied and substantially unfurnished for two years or more.

The government have stated that they “want to address the issue of empty properties. It can’t be right to leave a property empty when so many are desperate for a place to live”. Two years is considered sufficient time for home owners to sell, rent or complete any major renovations that might be required. The premium seeks to incentivise owners to bring their properties back into use. Under the Council Tax (Empty Dwellings) Bill 2018, from April 2019 local authorities will have the discretion to charge a 100% “council tax premium on empty properties”, thereby doubling the council tax on a property. The government is proposing additional changes, which have yet to be legislated, to enable local authorities to charge further premium of:

- 200% from April 2020 where the property has been empty for more than 5 years

- 300% from April 2021 where the property has been empty for more than 10 years

There are certain exemptions in place for homes that are empty due to the occupant living in armed forces accommodation for job-related purposes, or to annexes being used as part of the main property. While not an exemption, guidance states that consideration should be given for properties which are genuinely for sale or available to rent, and that owners should not be penalised in cases of hardship. These decisions will be made on a case by case basis.

All councils in Hampshire, with the exception of Gosport, Winchester and NFDC, charge the 50% premium, and these councils are reviewing their policies this year. The Group discussed a staggered approach, e.g. 50% from 1 April 2019 and 100% from 1 April 2020. This will be reviewed by a Task and Finish Group in 2019.

The potential additional total income could be £250,000, of which £27,500 would come to NFDC). However, taxpayers affected could avoid the premium by furnishing the property so that the premium did not apply.

The Group supported the government's thinking and recommend a 50% premium from 1 April 2019. If accepted, this will be reviewed in 2019 with a view to increasing the premium to 100% from 1 April 2020. If the proposal is approved, all taxpayers who will be liable to pay the premium will be advised in writing as soon as practically possible.

- E. **Care Leavers.** Care Leavers are adults who have spent time in foster or residential care, or in other arrangements outside their immediate or extended family before the age of 18. They are a particularly vulnerable group. From a report from The Children's Society, care leavers, when moving into independent accommodation, begin to manage their finances for the first time. Local Authorities have been encouraged to exempt care leavers from paying council tax up to the age of 21. This includes the Government's "Keep on caring" strategy. The Council has no accurate information on how many council tax payers this would affect as there is no need for them to disclose this information. We are aware of four care leavers under the age of 21 receiving Housing Benefit. All are renting a room in a property so are not liable for council tax.

Exemptions are permitted under S13A Local Government Finance Act 1992.

Some councils have introduced the exemption, but with variances, for example up to the age of 21, up to the age of 25 or up to 21 with discretion up to the age of 25 depending on their circumstances. However, this may lead to appeals and disputes as judgments would have to be made.

The Group was of the view that this exemption would have little or no impact and had the potential to open up further discussions on what other classes of cohorts deserved their own class of exemption.

The Group noted that if a care leaver's circumstances are such that paying council tax is difficult there is the Council Tax Reduction Scheme to support those on a low income. The Exceptional Hardship

Scheme is also available to provide further additional support if appropriate.

The Group recommend that a local exemption class for care leavers is not introduced.

4. DISCUSSION ON NATIONAL NON-DOMESTIC RATE RELIEF POLICY

- 4.1 The Group discussed the National Non-Domestic Rate Relief Policy (Appendix 1). This brings together the Council's existing rate relief policies into a single policy document and confirms the review procedures.
- 4.2 The Group support the policy and recommend its approval.

5. FAIR COLLECTION AND DEBT RECOVERY POLICY

- 5.1 The Group discussed a Fair Collection and Debt Recovery Policy for the Revenues and Benefits Service (Appendix 2).
- 5.2 Local Authorities are encouraged to approve a policy on how collection and debt recovery is administered. Nationally, Local Authorities have been criticised on how they deal with debts, in particular council tax. The recommended policy ensures the council's approach to debt collection is transparent.
- 5.3 Introducing a collection and debt recovery policy will enable the council to sign up to the Citizens' Advice Council Tax protocol.
- 5.4 The Group support the policy and recommend its approval.

6. VOLUNTARY PAYMENT

- 6.1 The Group discussed the following proposal of Cllr D Harrison which was made at the Council meeting on 26 February 2018 and which was referred to the Task & Finish Group for consideration:

This authority, when sending out council tax bills, includes an invitation to residents living in Band H properties to pay a voluntary additional sum of £100, £250 or £500 which the Council will use to support programmes that maintain and improve public services, especially those that have most impact on the poorest, most vulnerable members of our community".

- 6.2 There are currently 607 residents living in Band H properties, 68 of whom receive single person discount.
- 6.3 The Group noted an existing scheme by Westminster Council which, from April 2018, has operated the scheme through a Charity Trust to utilise Gift Aid. Westminster Council has 15,600 Band H properties and has the lowest council tax in the country despite being a very affluent area. Following public consultation, 50% of those consulted supported the scheme.
- 6.4 To date, approximately 2% of those in a Band H property have made a voluntary payment and £400,000 has been received. If the Council introduced its own scheme and had a similar take-up from Band H taxpayers, the response would equate to approximately 12 donations amounting to a maximum of £6,000.

- 6.5 The Group considered the cost of printing, posting and administration and also the potential impact this could have on existing charitable donations. It was felt those who made a voluntary payment might do so instead of giving to other charities. When considering these factors and the likely level of potential income, the Group decided to recommend that this proposal be not supported.

7. PORTFOLIO HOLDER'S COMMENTS

- 7.1 Broadly there is little requirement to amend the scheme from the one currently in place and which serves the community well. Within that wider statement we have looked to introduce a 50% Empty Home Premium not in the expectation that it will generate any significant income but to highlight this Council's commitment to bringing much needed properties back into use.
- 7.2 The proposal to bring in a policy on Care Leavers was another area that has generated discussion and whilst the principle of delivering support to vulnerable groups within our society was very much supported it was considered that this was already, and better, addressed through our Exceptional Hardship Scheme.

8. CORPORATE OVERVIEW AND SCRUTINY PANEL'S COMMENT'S

- 8.1 The Panel supports the recommendations and policies below.

9. RECOMMENDATIONS

- 9.1 That, insofar as it is entitled to do so by law, the discretionary discounts to and premiums on Council tax be as set out in options A to E as set out in paragraph 3 be approved.
- 9.2 To review, by Task and Finish Group, the Empty Homes Premium in 2019.
- 9.3 That, insofar as it is entitled to do so by law, the recommended changes to the Local Non-Domestic Rate Relief Policy, and the Fair Collection and Debt Recovery Policy, attached as Appendix 2 to this report, be approved.
- 9.4 That the proposal by Cllr D Harrison, in respect of voluntary additional Council Tax payments, as referred to in Section 6 of this report, be not supported, for the reasons stated.

And that it be a recommendation to Council that

- 9.5 That, insofar as it is entitled to do so by law, the discretionary discounts to and premiums on Council tax be as set out in options A to E as set out in paragraph 3 be approved.
- 9.6 That, insofar as it is entitled to do so by law, the recommended changes to the Local Non-Domestic Rate Relief Policy, and the Fair Collection and Debt Recovery Policy, attached as Appendix 2 to this report, be approved.

Background Information:

Minutes of Task & Finish Group

Further Information:

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