

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 are to be considered by the Corporate Overview Panel, Cabinet, and full Council.
- 1.5 The effective date of any change is 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	Conditions	Discretion available	Current discount	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. The duration is non-discretionary, only the amount.	50%	528 (17/18)
Empty Homes Premium	Unoccupied and substantially unfurnished for 2 years or more	Currently the premium is 50%. From April 2019, we can charge a premium of up to 100% (doubling the amount due).	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 the 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 the 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% discount for 1 month. The reasoning for the current 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 property 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 the 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 the amount of discount. After the discount ends, the full council tax is payable. The current discount is for 50% for 12 months. This is to reflect that the liable party cannot occupy the property.

The Group recommend no change.

- D. **Empty Homes Premium.** Since April 2013 local authorities have the discretion to charge a premium of 50% in 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 amount due. 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. Not an exemption, but guidance states 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 ourselves, 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?

The potential additional total income could be £250,000 (£27,500 to NFDC) but taxpayers affected could furnish the property so that the premium no longer applies.

The Group support the government and recommend a 50% premium from 1 April 2019. This will be reviewed in 2019 with a view to increasing the premium to 100%. If the proposal is approved, all taxpayers who will be liable to pay a premium will be sent a letter 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. We do not know exactly how many council tax payers this would affect as there is no need to disclose this information. We are aware of four care leavers receiving Housing Benefit, all under 21, 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 due to judgment calls.

The Group discussed that this exemption would have little or no impact and open up further discussions on what other cohorts are deserving cases for their own class of exemption.

The Group notes that if the care leavers circumstances are such that paying council tax is difficult there is the Council Tax Reduction Scheme to support those on a low income and our Exceptional Hardship Scheme is also available to provide further additional support if appropriate.

The Group recommend not to introduce a local exemption class for care leavers.

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 our 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 the 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. This policy ensures the councils approach to debt collection is transparent.
- 5.3 By introducing a collection and debt recovery policy this enables the council to sign up to 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 on 26 February 2018 at Council and was referred to this 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 we introduce our own scheme and have a similar take-up from our Band H taxpayers, it 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 make a voluntary payment may 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.
- 6.6 The Group discussed other ways of raising awareness of the Chairman's charities to encourage contributions from the public and asked officers to look into this corporately.

7. PORTFOLIO HOLDER COMMENTS

- 7.1 TBC

8. RECOMMENDATIONS

- 8.1 It is recommended to Corporate Overview and Scrutiny Panel that options A to E as set out in paragraph 4.1 are approved.
- 8.2 It is recommended to Corporate Overview and Scrutiny Panel the National Non-Domestic Rate Relief Policy and the Fair Collection and Debt Recovery Policy are approved.
- 8.3 That the proposal by Cllr D Harrison, in respect of voluntary additional Council Tax payments as referred to in paragraph 6 of the report, be not supported, for the reasons stated.

Background Information:

Minutes of Task & Finish Group

Further Information:

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