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| <b>REPORT TO:</b>                  | <b>FINANCE &amp; MANAGEMENT<br/>COMMITTEE</b>        | <b>AGENDA ITEM: 9</b>            |
| <b>DATE OF<br/>MEETING:</b>        | <b>22 OCTOBER 2009</b>                               | <b>CATEGORY:<br/>RECOMMENDED</b> |
| <b>REPORT FROM:</b>                | <b>DIRECTOR OF CORPORATE<br/>SERVICES</b>            | <b>OPEN/</b>                     |
| <b>MEMBERS'<br/>CONTACT POINT:</b> | <b>PAM CARROLL: EXT 5784<br/>RAY KEECH: EXT 5990</b> | <b>DOC:</b>                      |
| <b>SUBJECT:</b>                    | <b>COUNCIL TAX DISCOUNT<br/>CHANGES</b>              | <b>REF:</b>                      |
| <b>WARD(S)<br/>AFFECTED:</b>       | <b>ALL</b>                                           | <b>TERMS OF<br/>REFERENCE:</b>   |

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### **1.0 Recommendations**

- 1.1 To note the current situation following the change in policy on Council tax discounts for second homes and long term empty properties at 1 April 2009.
- 1.2 To approve a delegated scheme for the award of a local discount.

### **2.0 Purpose of Report**

- 2.1 To provide Members with an update following the implementation, at 1 April 2009, of the discretionary Council Tax powers of the Local Government Act 2003 (the Act).
- 2.2 To consider a scheme of local discounts

### **3.0 Detail**

- 3.1 At the meeting of the Finance and Management Committee on 4 December 2008, it was agreed to reduce the national discount, which then applied, with effect from 1 April 2009, as follows:

- Class B - (second/holiday homes; rented furnished residences between lets; any part furnished/furnished property not being occupied for any purpose). A reduction in discount from 50% to 10% was approved
- Class C - (properties unfurnished and unoccupied for more than six months, unless otherwise exempt). The discount was reduced from 50% to NIL.

(for information only Class A refers to holiday lets. The holiday lets that we are aware of in our area are subject to business rate charge and not Council Tax therefore we have no Class A properties registered for Council Tax.)

- 3.3 The current situation, in comparison with the estimates given in the original report is set out in the table following. (The annual monetary value is given at the 2009/10 Council Tax Band D equivalent for ease of comparison). Inevitably, some property owners have rearranged their domestic arrangements to make best use of the revised discounts scheme.

| Discount Type             | Original Estimate |         | Current Position |         |
|---------------------------|-------------------|---------|------------------|---------|
|                           | Number            | Value £ | Number           | Value £ |
| Class B Second Homes      | 235               | 135000  | 202              | 116040  |
| Class C Long-term empties | 434               | 311650  | 419              | 300890  |
| Total                     | 669               | 446650  | 621              | 416930  |

- 3.4 Members may recall that because of the precept arrangements the District Council retains roughly 10% only of the additional income shown; the majority goes to the County. In view of this it was agreed that an approach be made to the County Council in an attempt to secure an improved share of the additional income for South Derbyshire District Council, as indeed had previously been agreed, it was understood, with two other Districts where a similar decision was made. Discussions continue with the County Council to agree a settlement.
- 3.5 So far as the impact on individuals, immediately affected by the change in policy, is concerned the response was limited, although in a few cases representations were made that the extra charge was unreasonable given that, in their words, unusual circumstances prevailed. These are cases where:

- a) Domestic accommodation, within business premises, has to remain empty because prohibitions apply as to usage either through the terms of a lease or for reasons of security.

*An example would be where a flat has no access to it other than through a lock up shop. The accommodation cannot therefore be let on a commercial basis. However, should the same principle be reasonably applied to a manager's flat left empty within an otherwise operational public house?*

*In broad terms the general situation may be considered similar to that where occupation of a property is prohibited by law e.g. where a closing order applies and Council Tax is not payable.*

- b) A business requires a key employee, considered essential to its ongoing sustainability, to live close to the place of work. It is argued that without that individual the company could fold and its employees, who allegedly live in this area, lose their jobs. Accommodation is provided at the expense of the individual who is also liable for Council Tax elsewhere.

*This is not unlike the work related exemption that applies where a company provides accommodation and the employee is required to live on site. But in this case it is the employee's decision to retain a property elsewhere, rather than have his family home in the area.*

- c) An owner has moved into accommodation purely on the grounds of age/disability. Efforts are being made to sell the former home.

*This is very similar to those cases where open ended exemptions apply because the owner is in hospital, or a care home, or is receiving personal care. It should be noted that, in this case, the owner does retain a potential source of*

*realisable capital. The issue may be one of affordability, in which case it could be dealt with by an agreement to pay any outstanding sums that may accrue out of the proceeds of the sale of the property, when it occurs.*

*If later there is any doubt as to the agreement being honoured a charging order securing the outstanding sum could be obtained.*

- d) A close relative has moved to provide full-time care and support for children following the death of their mother.

*A similar situation arises where an exemption from Council Tax is granted where a carer lives elsewhere to provide care due to old age, disablement or illness. It is difficult not to support this case as the remaining parent is not able to claim single persons discount on the family home whilst the person moving to provide care has seen a 25% increase in Council Tax payable on their own property.*

- e) Property, at the expiry of a period six months after the grant of probate which is, under the terms of a will, bequeathed to a person in receipt of full Council Tax benefit. Efforts are being made to sell the property

*Full exemption from Council Tax applies up to the date of grant of probate and for up to six month thereafter. Additionally, as the property is being actively marketed its capital value is ignored for the purpose of Benefits. There is also likely to be a residual value, more so than in c) above. It would therefore appear to be another case of putting collection on hold until the property is sold.*

- 3.6 The Local Government Act 2003, gives the Billing Authority the power to reduce any amount of Council Tax payable in relation to particular cases or grouping of cases, to any extent it thinks fit. Given the nature of representations, set out above, from persons adversely affected by the change in policy from 1 April 2009, it would seem appropriate to determine properties prescribed as Class B and Class C as such a grouping of cases, under the legislation, as there is no other way of addressing individual issues that may be considered as having some merit.
- 3.7. If the Committee is minded to have a local discount scheme it is suggested that the maximum amount by which Council Tax may be reduced, within the group of cases, is 50% (thus potentially taking cases, where a discount is awarded, back to the position that prevailed up to 31 March 2009). The criteria for the award of a discount, it is proposed, will be centred on the reason(s) why the property remains empty or is treated as a second home, the degree of choice made by the individual concerned in arriving at that situation and the residual capital value of that property.
- 3.8 It should be noted that unlike the earlier discount arrangements for second homes and empty properties, the cost of any local discount awarded is borne solely by South Derbyshire District Council, as the Billing Authority. It is not shared with any precept body.
- 3.9 Given this situation, tight control of expenditure will be necessary and it is suggested that the scheme for the award of a local discount as approved by Members, be delegated to the Head of Customer Services, in conjunction with the Section 151 Officer.

#### **4.0 Financial Implications**

4.1 On the basis that discretionary relief is limited to say an average of 10 cases, at the Band D equivalent charge, of £1436.17, the cost to the Council at the maximum of 50% of the full charge, would be £7180, at the current Band D equivalent. However, at the moment, if discretionary relief is granted in respect of those cases where representation has already been made, a direct cost of £2750 would be incurred. This will be funded out of the surplus on the Council Tax collection fund.

#### **5.0 Corporate Implications**

5.1 It is clear that a number of properties previously classified as long term empties have been sold or let and have thus contributed to reduction in long term empty properties. This is one of the action points identified in the Empty Homes Strategy.

5.2 If collection becomes and/or remains an issue, but the property is a potentially realisable asset, deferment will be possible until a sale is achieved, subject to an agreement from the vendor's solicitors or by way of a Charging Order secured against the property.

#### **6.0 Community Implications**

6.1 Properties brought back into use have been made available to the local housing market.

#### **7.0 Background Papers**

7.1 The Local Government Act 2003.