

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 4 DECEMBER 2012

Title:

COUNCIL TAX EXEMPTIONS AND DISCOUNTS

[Portfolio Holder for Finance: Cllr Mike Band]

[Wards Affected: N/A]

Summary and purpose:

To agree how Waverley should utilise new flexibilities in council tax legislation relating to empty home exemptions, second home discounts and the introduction of a new council tax premium for long-term empty homes.

Equality and Diversity Implications:

The proposals set out in this report do not target any particular group. The Government's changes do not impact on exemptions available to dwellings that are; vacant because the person has moved into hospital or a care home, vacant because the occupant has moved out to provide care to another person or for dwellings left empty by deceased persons.

Resource and legal implications:

Waverley's Financial Strategy is currently projecting a shortfall on the general Fund budget in each of the next four years. The new council tax flexibilities give the Council the opportunity to generate additional council tax revenue to help close the budget gap. As an estimate of discounts and exemptions is taken into account when setting the council tax base for the following year, the loss of income is currently shared in proportion to precepts as follows:

- Waverley 10.3%
- Surrey Police Authority 13%
- Surrey County Council 74%
- Town and parish councils 2.8%

Detailed financial implications for each option are shown in the report and annexes. The Local Government Finance Act 1992 sets out the legislative framework for council tax. The legislation includes statutory provision for a range of discounts and exemptions. Generally, these provisions specify the circumstances under which council taxpayers can claim a reduction to their council tax and the range of reductions available. The Government has consulted on its current proposed changes and intends to introduce them in time for the 2013/14 council tax billing process. Some of the proposals require primary legislation and this is included in the Local Government Act 2012.

The Government has announced that these measures should enable councils to reduce their council tax by an average of £20. However, the Government has also encouraged councils to use these flexibilities to help close the funding gap relating to the introduction of the council tax reduction schemes which is the subject of a separate report on this agenda.

Background

1. Under the Government's localism agenda, new flexibilities are proposed for council tax that will give councils local discretion in a number of areas where statutory prescribed discounts and exemptions currently exist. In September at the finance seminar and in the report to the Executive on the council tax reduction scheme, Members were alerted to these changes.
2. A schedule of all current exemptions from council tax is included for information at Annexe 1. The Government's changes only relate to exemptions A and C. A range of discounts is also currently included in the council tax legislation and the changes proposed only affects the second homes discount. No changes are permitted to the single persons discount currently. One further new proposal from the Government is for Council's to be given the power to introduce a local 'council tax premium' for properties that have been empty for more than 2-years. Each of the changes are examined in detail in this report and its annexes.

The Changes and Options for Waverley

3. The Government's changes are set out in the matrix in Annexe 2 along with options that are available for the Council. Financial implications are also shown and general comments from officers about the impact of each option. A summary of the proposals for Waverley is included in the table below:

Current position	Proposed change	Approximate overall additional council tax raised	Financial Implications to Waverley BC
Second Homes - Discount can be given at a rate between 10 and 50% and can be applied indefinitely. Waverley currently gives statutory minimum 10% reduction	Remove the discount from 2013/14 (Currently 360 properties with discount)	£54k	Waverley would retain additional council tax of £6k
Empty Homes - Undergoing Major Repair - Exemption A is available for up to 12 months when a property is unfurnished and unoccupied whilst it is undergoing a major repair or structural alteration	Set the new discount at 0% from 2013/14 (Currently 50 properties with this exemption)	£75k	Waverley would retain additional council tax of £8k

Empty Homes - Exemption C is available for period of 6-months for an unfurnished, unoccupied home	Set the new discount at 50% for 6-month period from 2013/14 (Currently 380 properties with this exemption)	£140k	Waverley would retain additional council tax of £15k
Long-Term Empty Homes – Currently full council tax is paid once a 6-month exemption C has expired	Introduce an empty homes premium of 50% for homes that are empty for more than 2-years (estimated to affect 140 properties)	£105k	Waverley would retain additional council tax of £10k plus any additional New Homes Bonus generated from empty homes becoming occupied

4. With regard to the proposal to retain the 6-month empty homes discount at 50%, this is considered to be an important transitional measure and the impact will be reviewed during 2013/14. It is also important to ensure that accurate data is available in the future for the purpose of calculating the New Homes Bonus (NHB), one element of which is based on the overall reduction in homes that are empty for more than 6-months.
5. The Council is keen to keep the numbers of long term empty properties as low as possible, partly to improve the housing supply in the Borough and partly because of the NHB implications. This means that prudent estimates of any additional council tax from the empty homes premium must be forecast in future years as Waverley will endeavour to keep this number to a minimum.
6. Waverley has recently consulted on its proposals for council tax reduction scheme for 2013/14. This consultation asked whether Waverley should use additional council tax from reducing or removing second and empty homes reductions to help close the funding gap. The results show that 85% of responders would be in favour of such measures.

Other Issues

7. If Waverley decides to completely withdraw council tax reductions for properties undergoing major structural works, the Government is advising billing authorities to set a clear policy on hardship. Whilst most Exemption A applications relate to instances where the owner has chosen to improve or renovate their house, applications could arise if a householder is affected by flooding or fire. Currently Waverley would grant an exemption A if a property was uninhabitable whilst undergoing major works following such a peril. If this provision was removed, these householders would have to pay full council tax whilst they are not living in their property. Waverley's current policy on council tax hardship is to use existing powers under the Local Government Act 1992 to give discretionary reductions where it is in the wider interests of Waverley's council tax payers to do so. It is proposed that this policy remains and requests are considered on a case by case basis under this existing policy.

Corporate Overview and Scrutiny Committee

8. The Corporate Overview and Scrutiny Committee considered this report at its meeting on 26 November and its comments will be circulated separately – To Follow.

Recommendation

That the Executive recommends the proposed changes set out in the table at paragraph 3 to the Council for approval.

CONTACT OFFICER:

Name: Graeme Clark **Tel:** 01483 523099
E-mail: graeme.clark@waverley.gov.uk