

Chichester District Council

CABINET

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Council Tax review of locally defined discounts and premia

1. Contacts

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2. Recommendation

- 2.1 That the council tax discounts proposed in appendix 1 be applied for the 2016/17 financial year.
- 2.2 That a thorough review all of the locally defined discounts, in particular prescribed class D, in preparation for the 2017/18 taxbase setting is undertaken.

3. Background

- 3.1. A public question was posed to Cabinet on 4 December 2014, asking why owners who bring previously uninhabitable properties back to a condition suitable for occupation in the Chichester district are penalised by having to pay council tax whilst they complete the works and wait for a suitable tenant or buyer. In response to this question the Cabinet Member for Finance and Governance confirmed that consideration would be given to determine the classes of discounts that could be applied where repairs were being carried out and to quantify the cost to the taxpayer balancing this against other benefits, in particular to the local housing supply. This has prompted a review of the locally defined discounts in preparation for the 2016/17 financial year.
- 3.2. Decisions of this nature have a direct impact on the taxbase calculation for the year in question.
- 3.3. The Local Government Finance Act 1992, as amended by the LGFA 2003 and LGFA 2012, requires the authority to calculate the council tax base for forthcoming year and pass this information by 31 January to precepting authorities. The tax base must be set between the 1 December 2015 and 31 January 2016.

4. Outcomes to be achieved

- 4.1. The approval of the recommendations in this report will provide certainty in respect of the locally defined discounts when preparing the council tax base for the 2016/17 financial year, and certainty for the relevant taxpayers.
- 4.2. A thorough review of all of the locally defined discounts for the 2017/18 tax year will ensure that they are still relevant and support the Council's priorities and objectives.

5. Proposal

- 5.1. The Local Government Finance Act 2003 provided devolved powers for billing authorities to make decisions on council tax discounts for certain dwellings based on local circumstances such as second homes and long term empty dwellings. Additional freedoms have been added by the Local Government Finance Act 2012 extending the range of discounts that can be awarded to second homes, allowing for an 'empty home premium', and allowing charging up to 100% council tax for some properties that were previously exempt.
- 5.2. A summary of the proposals for setting locally defined discounts in respect of the 2016/17 financial year is shown in appendix 1.

6. Alternatives that have been considered

- 6.1. Not to charge an empty homes premium. This option does not encourage owners whose properties have been vacant for 2 years or more to bring them back into use. There would also be a cost to this in terms of lost revenue to us and the precepting authorities.
- 6.2. To award a discount for unoccupied and unfurnished properties for up to 14 days. It is likely that the taxpayers who will benefit from this proposal would be those who complete the purchase of a property but are unable to move in immediately and a limited number of the private tenants. However local authority services are still being delivered to such properties. The vacant period for the other affected groups generally exceeds 14 days. This proposal would only assist a minority of taxpayers and whilst it would help in the administration of accounts with small balances it would create other administration issues which would off-set the benefit. There would also be a cost to this in terms of lost revenue to us and the precepting authorities.
- 6.3. To award a discount for unoccupied and unfurnished properties for up to 1 month. It is likely that the taxpayers most likely to benefit from this proposal are the taxpayers quoted above, buy- to- let landlords and property developers. However local authority services are still being delivered to such properties. This proposal would not minimise the number of homes left empty at a time of severe housing shortage. There would also be a cost to this in terms of lost revenue to us and the precepting authorities.

7. Resource and legal implications

- 7.1. Based on the most recent data estimates of the revenue generated per annum from the relevant classes of taxable properties are

Class	Estimated tax revenue (per annum) *	Chichester District Council's share (per annum)	West Sussex County Council's share (per annum)
Prescribed class A and B second homes – zero discount	£591K	£55.5K	£460K
Prescribed class C vacant, unoccupied and substantially unfurnished properties – properties that would previously have qualified for a Class C exemption – zero discount	£430K	£40.6K	£334.5K
Prescribed class D properties that would previously have qualified for Class A exemption (properties in need of or undergoing major repair) – 100% discount	Nil	Nil	Nil
Empty Homes premium (properties that have been vacant for more than 2 years)- 50%	£68K	£6.4K	£52.8K

- 7.2. Based on the most recent data the estimated cost of applying a 100% discount for up to 1 month for unoccupied and unfurnished properties would be (per annum)

Class	Estimated lost tax (per annum) *	Chichester District Council's share	West Sussex County Council's share
Prescribed class C vacant, unoccupied and substantially unfurnished properties – properties that would previously have qualified for a Class C exemption 100% discount for up to 1 month	£246K	£23K	£85K

* The balance of the revenue/loss in tax are the Sussex Police and Crime Commissioner's and the parish council's share.

8. Consultation

- 8.1. A consultation on the changes to council tax discounts for second and empty homes was carried out during August and September 2012 and the results of this were reported to members in October of that year.
- 8.2. A further consultation on the proposal to charge an empty homes premium was carried out between August and September 2014 and the results were reported to Cabinet in December 2014.
- 8.3. The Head of Housing and Environmental Services has been consulted on the suggestions for 2016/17 and is happy with the proposals. Further consultation has not been carried out because it is not proposed to change the locally defined discounts for the 2016/17 tax year.

9. Community impact and corporate risks

- 9.1. Since April 2013 we and the precepting authorities have seen a reduction in tax base resulting from the implementation of the council tax reduction scheme. The income generated from locally defined has helped to off-set this loss.

10. Other Implications

	Yes	No
Crime & Disorder:		No
Climate Change:		No
Human Rights and Equality Impact: An equalities impact assessment was carried out in conjunction with the consultation process.	Yes	
Safeguarding:		No

11. Appendices

- 11.1. Summary of locally defined discounts

12. Background Papers

- 12.1. None