



London Borough of Hammersmith & Fulham

CABINET

14 January 2013

TITLE OF REPORT:

COUNCIL TAX DISCOUNTS AND EXEMPTIONS 2013/14

Report of the Leader : Councillor Nicholas Botterill

Open Report

Classification - For Decision

Key Decision: Yes

Wards Affected: All

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1. EXECUTIVE SUMMARY

- 1.1. The Local Government Finance Act 2012 allows the Council to remove the current council tax discounts and exemptions available to the owners of second homes and empty dwellings in the borough.
- 1.2. The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 and The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 for this change come into force on 1 April 2013.
- 1.3. This change will have to be approved by Full Council on 30 January 2013 and can take effect for 2013/14 and subsequent financial years (until such time as changed by the Council).
- 1.4. The estimated increased income which would result from this change would be in the region of £0.95m for 2013/14

2. RECOMMENDATIONS

- 2.1 Cabinet is requested to make the following recommendations to Council for the financial year 2013/14 and subsequent years until revoked:
- a) Reduce the council tax discount on second homes from 10% to 0%
 - b) Determine that the council tax discount on empty and unfurnished dwellings be 0%
 - c) Determine that the council tax discount on empty and unfurnished dwellings undergoing major repair be 0%

3. REASON FOR DECISION

- 3.1 The Council is required to make this decision to allow these changes to be made and comply with the legislation and regulations detailed in this report

4. INTRODUCTION AND BACKGROUND

- 4.1 Section 11 of the Local Government Act 2012 amended Section 11A of the Local Government Finance Act 1992
- 4.2 Section 11A gave the Secretary of State the power to abolish, in regulations, Class A and C exemptions and prescribe classes of dwellings for which the council may determine a council tax discount in the range 0% to 100%
- 4.3 Class A currently exempts owners and landlords of unoccupied and substantially unfurnished dwellings undergoing major repairs for up to twelve months
- 4.4 Class C currently exempts owners and landlords of unoccupied and substantially unfurnished dwellings for up to six months
- 4.5 New discounts can be applied for 2013/14 and subsequent years.

4.6 The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 and The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 provide that the council may determine:

- a) that the current discount of 10% on furnished dwellings, which are not the sole or main residence of an individual (second homes), be reduced to 0%
- b) that the current Class A & C exemptions be replaced by a discount of 0% from the time a dwelling becomes unoccupied and substantially unfurnished

5. COUNCIL TAX DISCOUNT ON SECOND HOMES

- 5.1 As stated above the council can reduce council tax discounts on Second homes from 10% to 0%
- 5.2 The council already retains 40% of second home income and any additional council tax raised (10%) will also be retained locally and shared with the GLA.
- 5.3 The Government will not reduce revenue support grant to reflect councils ability to raise more council tax because of a reduction in this discount. Instead the council will be able to decide how to spend this money to improve local services.
- 5.4 A discount of 50% will continue to apply to those required to live in Tied accommodation provided by their employer.

6. COUNCIL TAX DISCOUNT ON EMPTY PROPERTIES

- 6.1 As previously outlined, Class A and C exemptions have been abolished and the council can determine a council tax discount in the range 0% to 100% in their place for unoccupied and substantially unfurnished dwellings
- 6.2 Any additional income generated from these categories of dwellings can be retained locally and shared with the GLA
- 6.3 Removal of exemptions on empty properties in the borough would encourage owners and landlords to bring vacant properties back into occupation and fully support the council's strategy on empty homes

7. RISK MANAGEMENT

- 7.1. This is a statutory process and any risks are monitored through the Council's MTFS process

8. EQUALITY IMPLICATIONS

- 8.1 The recommendations in this report (at 2.1) will mean that those who own a second home, an empty and unfurnished dwelling, or one undergoing major repair, will have to pay the full amount of council tax. This will impact on those who have such a dwelling e.g. landlords, people buying a property that requires major repair, but the Council does not have any diversity data to disaggregate this further.
- 8.2 This will be a negative impact for those who will be required to pay the full amount of council tax. It is not possible to mitigate for this negative impact, for example by continuing with the present reductions, because services are still provided to owners of those properties by the Council.

9. FINANCIAL AND RESOURCES IMPLICATIONS

9.1. Second Homes

There are some 2,192 second homes in the borough and the effect of the reduction in discount from 10% to 0% adds an additional 256 Band "D" equivalents to the taxbase for 2013/14.

This income has to be shared with preceptors (e.g. GLA) and the Council's share would equate to additional income of approximately £0.20m (based on the 2012/13 Band D Council Tax).

9.2 Empty Properties

There are some 1,069 empty properties in the borough and the effect of the reducing the Class A & C exemptions to a discount of 0% adds an additional 1,271 Band "D" equivalents to the taxbase for 2013/14.

This equates to additional income for the Council (net of preceptors) of approximately £0.99m (based on the 2012/13 Band D Council Tax).

It should be noted however that this change will result in an additional cost, in respect of empty Council dwellings, in the region of £0.11m. This will be a charge to the Housing Revenue Account.

- 9.3 The gross potential increase in income to the General fund from the proposed changes to the Council Tax arrangements for Second Homes and Empty Properties is £1.19m. But an offsetting factor is potential behavioural change. For example some second home owners may

now claim to be single occupants and apply for the appropriate discount. For this reason it is suggested that the net benefit be reduced by 20% to £0.95m. This additional income will help balance the 2013/14, and future, budgets.

10. LEGAL IMPLICATIONS

10.1. Regulations under the Local Government Act 2003 allowed the Council to reduce Council Tax discount for dwellings that were not the sole or main residence of an individual and which were furnished (second homes) to a minimum of 10%. The regulations also permitted the Council to reduce Council Tax discount for dwellings that were unoccupied and substantially unfurnished for more than six months (long term empty properties) to zero.

10.2 Further to the Local Government Finance Act 2012 which received Royal Assent on 31 October 2012, individual local authorities are now afforded the freedom to vary the levels of exemptions they offer in light of the wider localism agenda being promoted by the Government.

10.3 Section 11 of the Act inserts new subsections (4A) and (4B) into section 11A of the Local Government Finance Act 1992. The new subsections allow the Secretary of State to prescribe a new class of dwelling for the purposes of allowing billing authorities to make a determination that any discount under section 11(2)(a) shall not apply or shall be such percentage (which may be 100%) as it may specify.

In practice, this allows billing authorities to set a discount on unoccupied and unfurnished dwellings prescribed in the new class of dwelling mentioned above.

10.4 Section 12 of the Act inserts a new section 11B into the Local Government Finance Act 1992. In respect of a dwelling that has been unoccupied and substantially unfurnished for more than two years, the new section allows billing authorities to charge up to 150% of the council tax that would be payable if the dwelling were occupied by two adults and no discounts were applicable.

The new section allows the Secretary of State to make provision for exceptions, by prescribing classes of dwelling, taking into account the physical characteristics and the circumstances of any person liable, for which a billing authority will not be able to charge extra council tax.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

| No. | Description of Background Papers | Name/Ext of holder of file/copy | Department/ Location |
|---------------------------------------|--|--|-----------------------------|
| 1. | Local Government Finance Act 1992 Local Government Finance Act 2012 - <i>Published</i> | Steve Barrett Ext: 1053 | FCS H & F Direct |
| 2. | CTB1 Return and Discount Calculations | Steve Barrett Ext: 1053 | FCS H & F Direct |
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