

TONBRIDGE & MALLING BOROUGH COUNCIL
FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

23 July 2014

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken by the Cabinet Member)

1 COUNCIL TAX DISCOUNTS

A report seeking the views of Members as to whether there should be any change to certain council tax discounts with effect from 1 April 2015.

1.1 Introduction

- 1.1.1 Councils have the power to amend the level of certain discounts that may be granted to those liable to pay council tax. In addition, the Council may resolve, in the case of domestic properties that have been unoccupied for longer than two years, to charge a council tax premium (in effect a reverse discount).
- 1.1.2 This Council resolved in 2012 that the value of some discounts should be reduced but that the value of others should not be changed. Furthermore, the Council determined that no premium should be charged in respect of properties unoccupied for longer than two years.
- 1.1.3 Those determinations were made as part of the decision-making process in respect of the introduction of our local council tax reduction scheme. Last October the Council reviewed the operation of our council tax reduction scheme. As part of that review, your Board recommended to Cabinet that no changes be made to the current discounts in preparation for the financial year 2014/15 but the possibility of further amendments be considered in due course [**Decision FIP 13/049**]. That recommendation was approved by Cabinet on 9 October 2013 [**Decision D130130CAB**].
- 1.1.4 This report takes forward Cabinet's wish that further amendments be considered in due course.

1.2 Discounts – the current position

- 1.2.1 There are four areas in which Members have discretion. These are:

- 1) **Second-homes and long-term empty properties.** Such properties used to benefit from a 10% discount. However, Members resolved to remove the discount with effect from April 2013. There is no scope to make further amendments.
- 2) **Vacant and substantially unfurnished properties.** Until April 2013, no council tax was charged for the first six months during which the property was vacant and substantially unfurnished. Members determined that the six month period should be reduced to three months as from April 2013.
- 3) **Uninhabitable properties and properties undergoing repair.** Such properties have attracted a 100% discount for a period of one year. Members have not previously chosen to reduce the level of discount but may, if they wish, reduce it to 0%. It is not possible to amend the period for which a discount is given.
- 4) **Properties that have been empty for longer than two years.** These properties are subject to the full council tax charge. However, the Council may resolve to levy a premium of up to 50% in such cases.

1.3 Discounts – options for change – financial considerations

1.3.1 In my report to your Board of 9 October last year, I set out the financial implications of amending the level of discounts. Those were:

1) **Vacant and substantially unfurnished properties**

If Members were inclined to reduce the period of no charge from three months to two months, the additional income generated would be in the region of £41,000 and a reduction of the period to one month would generate additional income of circa £98,000 (October 2013 figures). It is important to note that any additional income would have to be shared with the precepting authorities; our share being approximately 15%.

2) **Uninhabitable properties and properties undergoing repair**

If Members reduced the discount to 75%, the additional income generated would be in the order of £25,000. A reduction of the discount to 50% would produce additional income of around £49,000 (October 2013 figures). In other words, each 1% reduction in the discount rate would produce additional income of about £1,000. As I stated above, any additional income would have to be shared with the precepting authorities.

3) **Properties that have been empty for longer than two years**

If Members decided to charge a 50% premium on long-term empty properties, additional income, to be shared with the precepting authorities, would amount to some £82,000 (October 2013 figure).

- 1.3.2 The maximum, potential income that would be generated, for Tonbridge and Malling, from the above equates to about just over £34,000 at October 2013 figures ($[\pounds 98,000 + \pounds 49,000 + \pounds 82,000] \times 15\%$). However, Kent County Council has offered to share with districts 25% of the additional revenue accruing to the County from changes to discounts. Therefore, in addition to the £34,000 mentioned above, we could receive, approximately, an extra £42,000; giving a total of £76,000.
- 1.3.3 Although this might not seem a significant figure in terms of the Council's overall budget, Members will be very aware of the Council's budget position and the requirement, because of reductions in the level of Government grant, to make ever greater budget savings. In addition, I anticipate that the Government will continue to restrict the amount by which the council tax can be increased each year.

1.4 Non-financial considerations

- 1.4.1 There are, of course, reasons why Members might not wish to alter the council tax discounts or might not wish to change them in such a way as to produce the maximum financial gain. For instance, in the case of landlords, there will almost inevitably be a period of vacancy between lets, either to find new tenants and/or to redecorate the property. Therefore members might consider that a shortening of the period for which a 100% discount is given to one month might be too severe. In the case of uninhabitable properties or those undergoing repair, if Members decided to reduce the discount to less than 25%, then there would be an advantage in the taxpayer saying that the property was occupied by one person as a 25% single occupancy discount could then be claimed.

1.5 Neighbouring authorities

- 1.5.1 I have asked our neighbouring authorities what decisions they have made in respect of discounts and their responses are shown in the following table:

Authority	Vacant & Unfurnished discount – period at 100%	Uninhabitable/Undergoing repair discount (%) over 12 months	Premium %
Ashford	6 weeks	100	50
Canterbury	None	100	0
Dartford	3 months	100	50
Dover	None	100	0
Gravesham	1 month	100	50
Maidstone	1 month	100	50
Medway	3 months	100	0
Sevenoaks	3 months	100	50
Shepway	None	0	50
Swale	3 months	100	0
Thanet	None	100	0
Tunbridge Wells	1 month as from April 2015 (previously 2 months)	25% as from April 2015 (previously 50%)	50
Tonbridge and Malling	3 months	100	0

1.5.2 As can be seen from the above:

- 1) **in respect of those properties that are vacant and unfurnished:** four other authorities give no discount; three – from April next year – will give a discount for one month; one will give a discount for six weeks; and four will give a discount for three months. Thus the authorities giving a discount of three months are in the minority.
- 2) **in respect of properties that are uninhabitable or undergoing repair,** we are in line with the majority of Kent authorities in allowing a 100% discount for twelve months.

- 3) **in respect of properties empty for longer than two years**, there is an even split between those other authorities charging a 50% premium and those not charging a premium.

1.6 The way forward

- 1.6.1 When I reported on this subject in October last year, Members did not consider that they wished to amend discounts in respect of the year 2014/15 but wished to reconsider the issue for future years. Now appears to be an appropriate time to do so if Members do wish to make changes for the years 2015/16 onwards.
- 1.6.2 In the light of the foregoing information, I should be grateful if Members would give me guidance as to which discounts they might wish to amend and whether they are minded to charge a premium for properties empty for longer than two years.
- 1.6.3 In the light of Members' guidance, I can then refine my calculations as to the financial impact of those changes and present my findings to your Board in September for decision by Cabinet in October. By taking my findings to your Board in September, this will allow me time to 'consult' our residents via the website on any amendments to the discounts proposed by Members. The results of that 'consultation' will be available to inform Member's decision-making in September/October.

1.7 Legal Implications

- 1.7.1 None at this stage

1.8 Financial and Value for Money Considerations

- 1.8.1 None at this stage but ultimately any decision made has an effect on the Council's budget.

1.9 Risk Assessment

- 1.9.1 None at this stage but in due course a decision to decrease the value of discounts and/or to charge a premium, will have a negative financial effect on those liable to pay council tax, either through charging them when previously no charge was due or increasing the amount they are liable to pay.

1.10 Equality Impact Assessment

- 1.10.1 See 'Screening for equality impacts' table at end of report

1.11 Recommendations

1.11.1 Members' guidance is **REQUESTED** as to :

- 1) those discounts that they believe should be amended and the extent to which they should be amended for the financial year 2015/16 and beyond; and
- 2) whether the Council should charge a premium on properties that have been empty for longer than two years and, if so, the percentage premium to be charged for the financial year 2015/16 and beyond .

1.11.2 Subject to the above, the Director of Finance & Transformation be **AUTHORISED** to place relevant information on the Council's website seeking comments prior to the next meeting of this Advisory Board.

The Director of Finance & Transformation confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers:

Nil

contact: Paul Griffin
email:
paul.griffin@tmbs.gov.uk

Sharon Shelton
Director of Finance and Transformation

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	Report merely seeks guidance from Members as to how they might wish to amend discounts for future years.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	Report merely seeks guidance from Members as to how they might wish to amend discounts for future years.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		Not applicable.

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.