

# CHESHIRE EAST COUNCIL

## REPORT TO: CORPORATE SCRUTINY COMMITTEE

---

<b>Date of Meeting:</b>	12 <sup>th</sup> June 2012
<b>Report of:</b>	Director of Finance and Business Services
<b>Subject/Title:</b>	The Policy on Council Tax Discounts
<b>Portfolio Holders:</b>	Councillor Raynes

---

### **1.0 Report Summary**

- 1.1 To advise the Committee on the current arrangements for Council Tax discounts in relation to empty properties and second homes.
- 1.2 To brief the Committee on the scope for further changes that have been consulted on by the Government.

### **2.0 Decision Requested**

- 2.1 To note the contents of the report.
- 2.2 To consider any advice they can offer to Cabinet on the potential changes to discounts.

### **3.0 Reasons for Recommendations**

- 3.1 The Committee made a request for this item at their meeting in March 2012.

### **4.0 Wards Affected**

- 4.1 Not applicable.

### **5.0 Local Ward Members**

- 5.1 Not applicable.

### **6.0 Policy Implications including - Climate change - Health**

- 6.1 The report covers current policy in relation to Council Tax discounts and scope for change.

### **7.0 Financial Implications (Authorised by the Borough Treasurer)**

- 7.1 None.

## **8.0 Legal Implications (Authorised by the Borough Solicitor)**

- 8.1 The Council should have robust processes so that it can meet statutory requirements and fulfil its fiduciary duty.

## **9.0 Risk Management**

- 9.1 The steps outlined in this report help to mitigate the four main legal and financial risks to the Council's financial management:
- The Council must set a balanced Budget
  - The Council must set a legal Council Tax for 2013/2014
  - The Council should provide high quality evidence to support submissions for external assessment.
  - That Council borrowing will comply with the Treasury Management Strategy which is underpinned by the Prudential Code.

## **10.0 Background and Options**

- 10.1 The Corporate Scrutiny Committee meeting in March considered their Work Programme item and requested a report on Council Tax discounts for empty properties and second homes in Cheshire East to provide the basis for reviewing the policy.

### **BACKGROUND**

- 10.2 The rules in relation to Council Tax discounts on long term empty properties and second homes were first changed for 2006/2007 to enable councils to move away from the compulsory 50% discount to local arrangements (within certain restrictions).
- 10.3 Gradually all councils in Cheshire moved to a revised discount of 25% for both categories to match the single person discount.
- 10.4 For 2011/2012 Cheshire East Council agreed a further change to:
- Reduce discount on long term empties to 0%.
  - Reduce the discount on second homes to 10%.

- 10.5 These raised an additional £2.1m of income.

- 10.6 No changes were made for the 2012/2013 Budget as there was no further discretion available to increase income levels.

### **CHANGES FOR 2013/2014**

- 10.7 The Government issued a Technical Reforms to Council Tax consultation in October 2011 which included the scope for further changes to Council Tax discounts from April 2013. This has been followed by a response on 28<sup>th</sup> May 2012.

10.8 The key issues accepted by the Government are:

- Ability to charge 100% for second homes.
- Potential to charge more where a property is empty.

10.9 The table below sets out the issues:

Proposal from CLG	Impact on Cheshire East	Impact on local residents
a. Ability to charge 100% on Second Homes	Additional income c.£0.12m	Additional costs of c.£130 pa for c.900 second home owners
b. Locally determine discounts for uninhabitable property	Additional income c.£0.26m if discount removed c.£0.13m if discount limited to 6 months	Additional costs of up to c.£1,300 for owners (currently 240) of property undergoing structural alteration
c. Locally determine discounts for vacant property	Additional income c.£0.93m if discount removed c.£0.46m if discount limited to 50%	Additional costs of up to c.£650 for c.1,700 empty property owners
d. Locally determine charges for property left empty for more than 2 years	Additional income c.£0.64m	Additional costs of up to c.£650 for c.1,200 property owners

10.10 The Committee is asked for their views on further changes to discount levels.

10.11 Finance Officers will be able to illustrate the impact of varying discounts at the meeting.

10.12 Members should note that ministers have already stated options for potential use of this new flexibility at a local level:

Councils facing a budget gap as a result of the 10% cut in council tax benefit funding can plug the hole by increasing charges on second and empty homes,(Local government minister Andrew Stunell).

Communities secretary Eric Pickles has suggested councils could use new tax powers over empty and second homes to fund a £20 cut in council tax bills. The proposal for helping “families and pensioners with the cost of living” came as the government confirmed councils would get new powers to scrap council tax discounts on second homes and charge an ‘empty home premium’ of 150% tax.

#### **Local Government Chronicle May 2012**

- 10.13 Changing Council Tax discounts to increase income forms one of the potential options for helping to achieve the £2m+ saving required from the localisation of Council Tax benefit schemes from April 2013.

### **11.0 Access to Information**

- 11.1 The background papers relating to this report can be inspected by contacting the report writers:

Name:	Lisa Quinn
Designation:	Director of Finance and Business Services
Tel No:	01270 686628
Email:	<a href="mailto:lisa.quinn@cheshireeast.gov.uk">lisa.quinn@cheshireeast.gov.uk</a>