

## REPORT TO CABINET AND FULL COUNCIL

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**Subject:** Council Tax Reform  
**Cabinet Portfolio:** Leader of the Council & Resources  
**Corporate Lead:** Liz Wilkinson, Executive Director Finance  
**Senior Responsible Officer:** Robin Ingleton, Head of Strategic Finance  
**Meeting Date:** 20 November 2012  
**Status:** Public

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### 1. Purpose:

#### 1.1. The purpose of this report is to:

1.1.1. Provide Cabinet and Council with updated information regarding the Local Council Tax Support Scheme (LCTSS) following the Government's recent announcement that additional grant funding for the year 2013/14 will be available to councils which agree to limit the maximum reduction in Council Tax Benefit under the Scheme to 8.5%. It is recommended that Bournemouth do not accept the grant offer for the reasons contained in paragraph 3.

1.1.2. Inform Cabinet and Council of new powers in the Local Government Finance Act 2012 ("The Act") and proposed amendments to existing secondary legislation to allow changes to certain Council Tax discounts, exemptions and other technical reforms to Council Tax.

1.1.3. For Cabinet to agree the scheme to be recommended to Council for Council Tax discounts and exemptions that will apply from 1 April 2013.

### 2. Recommendation:

#### 2.1. It is recommended that Cabinet:

a. Considers the Government proposal regarding transitional grant funding, and agrees to continue with the current preferred option which has been through a public consultation exercise and which will be reported to Cabinet in December.

b. Agrees and recommends to Council the new scheme of Council Tax discounts and exemptions with effect from 1 April 2013 as set out in Appendix 1.

c. Notes the other technical changes to Council Tax as proposed in the legislation (paragraph 6.12 and Appendix 2).

### 3. Reasons for Recommendations:

- 3.1. It is proposed that Bournemouth do not accept the Government's grant offer of £384K as this is for 2013/14 only. If the Government's Grant offer is accepted this would mean a significant cost of £514k to the Council over and above the consulted and recommended scheme which is an 80% liability restriction. This would place a further financial pressure on the Council's Medium Term Financial Plan (MTFP) and also on the Police & Fire budgets for 2013/14.
- 3.2. Other reasons for remaining with the consulted and recommended scheme are:
  - 3.2.1. The cumulative financial cost in future years to maintain an 8.5% scheme.
  - 3.2.2. The effect on the ability to provide targeted financial help to residents who are most in need.
  - 3.2.3. The initial results of public consultation show that respondents did not want the cost of the changes to be met by cuts to other Council services or increases in Council Tax in general.
  - 3.2.4. The Police and Fire Authorities financial strategies would be affected and result in further cuts to their services.
- 3.3. Council need to agree the changes to existing Council Tax discounts and exemptions from 1 April 2013 under new powers in the Local Government Finance Act 2012 which received Royal Assent on 1 November 2012.

### Background

#### 4. Local Council Tax Support Scheme

- 4.1. Alongside the proposals to allow councils greater freedom to determine certain discounts and exemptions is the replacement of Council Tax Benefit with a Local Council Tax Support Scheme (LCTSS).
- 4.2. Cabinet considered a report on 25 July 2012 and gave delegated authority to the Leader of the Council to make certain decisions on the public consultation process and development of a local scheme.
- 4.3. Dorset local authorities worked together on developing scheme options that were both fair to customers and financially viable to the Authority. The preferred option is a 20% restriction so that the maximum amount that would be met by Local Council Tax Support will be 80% of a claimant's Council Tax liability (after any other discounts and exemptions have been applied) instead of the 100% under the current national Council Tax Benefit scheme.
- 4.4. From 1 April 2013 the Council will receive Government funding towards the cost of its Local Council Tax Support Scheme (LCTSS). However, this grant will be at least 10% less than current Council Tax Benefit expenditure. The Council's preferred option will cost the Council less than its current benefit expenditure to reflect the reduced level of grant. However, there is still an estimated gap of £775K between the estimated cost to the Council in support to Council Taxpayers under its proposed Scheme compared to the anticipated Government grant.

- 4.5. The Fire and Police Authorities were consulted in August 2012 on the proposed local scheme principles. Their response was that they would prefer a cost neutral scheme that did not rely on income from Council Tax Discounts and Exemptions but supported the Council's preferred scheme option.
- 4.6. Public consultation took place between 10 September 2012 and 5 November 2012. The results of this consultation are being analysed but there are some initial views available and all results from the consultation will be considered in making the final decision on the Council's adopted scheme.
- 4.7. During the consultation period the Government announced a Transitional grant scheme to provide additional funding to local authorities who developed LCTSS's that ensured that those currently receiving 100% Council Tax Benefit would not face increases of more than 8.5% in their 2013/14 bill. If such a scheme were agreed by this Council, it could receive £384k in additional funding. To adopt a local scheme that met the qualifying criteria to receive this additional funding it would cost the Council £514k over and above the additional funding it could receive. This places considerable additional pressure on the Council's Medium Term Financial Plan. Furthermore no allowance has been made for any non payment and the possible effect on the Council's bad debt provision. This could impact further on the Council's financial position.
- 4.8. There are also other considerations:
  - 4.8.1. The grant is currently only available for 2013/14. There is no guarantee that additional funding will be available for 2014/15. The effect is that those moving from being out of work into work would face a larger increase in a year's time.
  - 4.8.2. The Government do not want anyone moving into work to face large increases. This means that the Council cannot have two schemes for out of work and in work customers.
  - 4.8.3. It will be difficult to justify the administrative cost of recovering very small amounts.
  - 4.8.4. The grant is only available on application after the Council has adopted its local scheme. There is a risk that if any of the qualifying criteria are deemed not to have been met when the application is audited the Council will not receive the grant.
  - 4.8.5. It is unclear whether there is a need for further consultation should the Council decide to redefine its local scheme.
  - 4.8.6. The Council also needs to consider what other financial assistance it should provide for those facing the greatest difficulties because of the change from Council Tax Benefit to Local Council Tax Support and the impact of other welfare reforms. The additional cost to the MTFP of adopting an 8.5% reduction to qualify for the grant would make it difficult to provide targeted help where it is most needed.
- 4.9. Because of the unknowns and additional financial burden that would be placed on the MTFP of accepting the Transitional grant, it is recommended that the Council affirms its intention to remain with the LCTSS that has been consulted on of limiting the maximum eligible Council Tax under the Support Scheme to 80%.
- 4.10. To further assist members there is a summary of pros and cons at Appendix 5 for information.

4.11. Universal Credit, the replacement for various out-of-work benefits is also scheduled to be introduced nationally from 1 October 2013. This will affect the Council's Housing Benefit customers who will cease to receive Housing Benefit from the Council and migrate to Universal Credit. The schedule for migration of cases in Bournemouth is as yet unknown.

## **5. Financial assistance for customers**

5.1. The impact of the government's welfare reform agenda will be far reaching for many Bournemouth customers. The Government requires any Local Council Tax Support Scheme to protect people of pension age or who are deemed to be vulnerable which in Bournemouth's proposed scheme will be those in receipt of disability living allowances, carers and those in receipt of certain war pensions. The effects will fall disproportionately on employed and unemployed people of working age in a number of ways as follows:

5.1.1. The new Local Council Tax Support Scheme will involve a reduction in Council Tax benefits.

5.1.2. The under occupation rules will limit the Housing Benefit available to people renting social housing who are deemed to have more bedrooms than they require.

5.1.3. The benefit cap will place a limit on the overall amount of benefit an individual/household can receive.

5.2. The Council needs to consider whether and how to implement an additional Hardship Fund for people who have difficulties paying their Council Tax. Up to now, people in financial difficulties have had the following sources of assistance available:

5.2.1. Community Care Grants and Crisis Loans for general living expenses - these will be abolished from April 2013 and replaced by new Local Welfare Provision administered by local authorities. The Council will be provided with funding to replace the existing scheme, but this will fall short of the amount available in previous years. Alternative funding is being considered through the Medium Term Financial Planning process in order to top up the scheme.

5.2.2. Discretionary Housing Payments provide further help with housing costs to claimants receiving Housing Benefit. There is likely to be increased demand for these payments although the Council will not receive any increase in funding from the Department for Work and Pensions to provide them.

5.3. Should Cabinet recommend changing certain Council Tax discounts and exemptions that generate income, this may offset some of the cost of the proposed Local Council Tax Support Scheme to the Council and offer potential to provide other support to Bournemouth residents affected by welfare reforms.

## **6. The Government's Proposals for changing Council Tax Discounts and Exemptions**

6.1. Flexibility around local discretion for Council Tax discounts and exemptions was highlighted as part of The Government's Spending Review in 2010 supporting the decentralisation and localism agenda.

6.2. In October 2011 the Government published a consultation document with proposals to allow local authorities greater freedom to determine certain Council Tax discounts and exemptions, along with proposals to amend minor technical issues. Collectively these are referred to as Council Tax Technical Changes.

- 6.3. In May 2012 the Government published its response to the consultation.
- 6.4. The Council Tax Base is calculated annually and used as a key factor in estimating the amount of Council Tax income likely to be generated for the Council and other preceptors. It therefore plays a significant role in determining the funding available to support the Council's MTFP. The anticipated impact on collection levels of the LCTSS may well result in a reduction in the Council Tax Base. Introducing a level of charge to previously exempt properties or reducing an existing discount will increase the Council Tax Base therefore countering some of this reduction.
- 6.5. The Government is proposing to allow local authorities discretion in setting the level of discounts and exemptions detailed below. If a property is currently exempt it is, in effect, receiving a 100% discount.
- 6.6. Second Homes - currently the Council charges 90% on a second home. This is the maximum under current legislation. The proposed discretion is to allow a charge of up to 100%.
- 6.7. Properties that are unoccupied, substantially unfurnished and undergoing major repair works to make them habitable or structural alterations (Class A) - Current legislation determines that these properties are exempt from Council Tax for a minimum of six months to a maximum of 12 months. After this period, if not occupied, Council Tax is charged at the same rate as for properties that have been empty long term. The Government proposes to allow local authorities discretion to set a discount of between 0% and 100% rather than them being wholly exempt. The proposed discretion is to allow a charge of up to 50%.
- 6.8. Unoccupied and substantially unfurnished properties (Class C) - Currently properties that remain unoccupied and substantially unfurnished are exempt from paying Council Tax for up to 6 months. The Government's proposal is to give local authorities discretion over the percentage discount and the time-period for which it may apply. The proposed discretion is to allow a 100% discount for up to 3 months.
- 6.9. Homes unoccupied and substantially unfurnished for two or more years (Long term empty homes) - Currently the maximum Council Tax charge on properties that remain empty for two or more years is 100%. The Government proposes to allow local authorities the ability to charge up to 150%. The proposed discretion is to allow a 150% charge for properties that have been empty for more than 2 years (some exemptions apply see 7.5.1).
- 6.10. The Government is also proposing the following changes, over which local authorities will have no discretion.
- 6.11. Council Tax payment on repossessed properties (Class L) - Properties that are repossessed by a mortgagee (e.g. bank or building society) are currently exempt from paying Council Tax. The Government proposes that these properties will in future be subject to the same charge that the local authority levies on an empty property.
- 6.12. Other technical changes - the Government is proposing some changes regarding definitions, instalment options, the treatment of solar photovoltaic installations on domestic properties, and how self-contained annexes are treated (see Appendix 2 for more details.)

## 7. Options Appraisal

- 7.1. For each of the discretions or exemptions, an options appraisal has been carried out. This section of the report contains a summary of the appraisal. Full details of these are shown in Appendix 3. In order to provide some context for the number of properties affected by each situation, the Council's Council Tax Base for 2012/13 is 64,538.
- 7.2. Second Homes - The number of properties impacted by this proposed change is 2,885. A collection rate of 96% has been assumed, which is a prudent assumption compared to the 98.5% used when calculating Council Tax income annually for the Council. Currently a 10% discount is in place. Income generated from second homes is retained by the authority and not lost in reduced formula grant. By varying the level of discount between 0% to 10% (i.e. increasing the charge between 90% to 100%), income of up to £408K could be realised.
  - 7.2.1. Table 1, of Appendix 3, summarises the possible impact.
  - 7.2.2. It is recommended that the level of charge on second homes is increased from 90% to 100% i.e. reduce the discount to 0%.
  - 7.2.3. Currently, the Council charges a 50% charge on second homes falling within the list in Appendix 4 to reflect the special nature of these properties. It is not proposed to amend the level of this charge for these properties under these provisions.
- 7.3. Properties that are unoccupied, substantially unfurnished and undergoing major repair works to make them habitable or structural alterations (Class A) - The number of properties affected by this proposed change is 89. A collection rate of 96% has been assumed, which is a prudent assumption compared to the 98.5% used when calculating Council Tax income annually for the Council. Currently a 100% exemption is in place.
  - 7.3.1. Varying the level of discount between 100% (i.e. continuing to exempt properties whilst undergoing works) to 0% discount (no exemption for the period of works) could realise income of up to £120K. It is not possible under the legislation to first allow a period of exemption and then a discounted charge whilst the works are being undertaken.
  - 7.3.2. The impact on homeowners and developers needs to be considered. Table 2, of Appendix 3, summarises some of the options and impacts.
  - 7.3.3. It is recommended that a 50% discount be allowed for the period that the property is unoccupied, substantially unfurnished and undergoing major repair works to make them habitable or structural alterations that are not substantially completed subject to a maximum period of 12 months.
- 7.4. Unoccupied and Unfurnished properties (Class C) - The number of properties affected by this proposal is 1,319. A collection rate of 96% has been assumed, which is a prudent assumption compared to the 98.5% used when calculating Council Tax income annually for the Council. Currently these properties are exempt for up to six months. Changing either the level of discount, exempt period or a combination could lead to income of between £193K to £772K. However, the impact on those moving house, developers and other property owners such as housing associations needs to be considered.
  - 7.4.1. For clarification, properties that are left empty after someone has died are exempt Council Tax where probate or letters of administration are waiting to be

granted and for up to 6 months after (Class F). They are not affected by these changes to discounts and exemptions.

7.4.2. Table 3, of Appendix 3, summarises some of the options and considerations.

7.4.3. It is recommended that properties that are unoccupied and substantially unfurnished are allowed a 100% discount for up to three months after which a 100% charge will be payable.

7.5. Homes unoccupied and substantially unfurnished for two or more years (Long-term empty homes) - The number of properties affected by this proposal is 953. A collection rate of 40% has been assumed as the ability to collect the additional premium is expected to be difficult. A similar charge historically achieved a similar collection rate. Currently the maximum charge is 100%. Increasing the rate to 150% could lead to income of up to £104K.

7.5.1. The Government has stated its intention that this charge should not apply to a property that has remained empty because it is either:

- Genuinely on the market for sale or letting. (The Council recognises that this could be subject to avoidance schemes and a local scheme with specific criteria will be formulated), or
- The sole or main residence of a member of the armed forces, who is absent from the property as a result of such service

7.5.2. Table 4, of Appendix 3, summarises some of the possible impacts.

7.5.3. It is recommended that properties that are vacant for two years or more are charged a Council Tax at 150% with the exception of those cases mentioned in paragraph 7.5.1.

7.6. Mortgagees in possession (Class L). The Council does not have any discretion over this proposed change. It is likely to affect around 33 properties in the Borough. Using an assumed collection rate of 96% the income would be £41K.

7.7. Further alternative scenarios of taking no change or introducing minimal, medium or maximum effect changes are shown in Appendix 1.

## **8. Consultation**

8.1. There is no requirement for formal external consultation on the proposals for changing discounts and exemptions.

8.2. The Mouchel Revenues Operations Manager was consulted for data to assist in assessing the financial impact of changes.

8.3. Precepting authorities were consulted on the Local Council Tax Support scheme proposals. Public consultation on those proposals and ended on 5 November 2012.

## **9. Alternative Options considered and rejected**

9.1. The full range of options considered is shown in Appendices 1 & 3. They are discussed in Section 7 of this report. The nature of the proposed discretions means that any combination of options could be considered. However, a complete range of options has been considered to allow the extremes of Do Nothing, implement the maximum charge, and at least one option in between to be compared.

## **10. Financial Implications**

- 10.1. The main body of the report is concerned with the financial implications of these changes. There may be some additional costs to some of the options regarding increased administration and debt collection, specifically with the introduction of an increased charge for properties vacant for more than two years. However, the quantification of these costs cannot be determined at this stage and may not be an issue because extremely prudent collection rates have been assumed in the options appraisal.

## **11. Summary of Legal Implications**

- 11.1. Sections 11, 12 & 13 of The Local Government Finance Act 2012 gives the Council the necessary legal powers to implement the proposals made in this report regarding discounts and exemptions for empty homes and mortgagees in possession. The ability to raise additional income for second homes and the other technical changes will be made by amending existing secondary legislation.
- 11.2. The full Council will need to adopt any changes by resolution at a later date, normally as part of the tax setting process

## **12. Summary of Environmental Impact**

- 12.1. There are no environmental issues arising directly from this report.

## **13. Summary of Equalities and Diversity Impact**

- 13.1. An Equalities and Diversity Impact Screening has been carried out. Any changes to discounts and exemptions will impact mortgagees in possession and the property "owner" as defined in Council Tax regulations. The conclusion is that these changes will affect the protected groups no differently to those who are not in the protected groups.
- 13.2. It is not possible to model in more detail the impact on individual owner groups as details of an individual's status is not required in order to bill and collect Council Tax. Therefore, this information is not available.
- 13.3. The Government has conducted an impact assessment and the link is shown in Section 15 "The Local Government Finance Bill : Technical reforms to Council Tax Impact Assessment"

## **14. Summary of Risk Assessment**

- 14.1. Originally there was a risk that the Local Government Finance Bill may not have received Royal Assent. This would impact on the ability to balance the MTFP to help keep Council Taxes down. However, it would also mean that the requirement to introduce a local scheme of Council Tax Support would also not become law with the associated cost to the Council that the changes to discounts and exemptions could help to fund.

- 14.2. Other risks are changes required to software and assumptions made to the level of collection used in modelling likely proving to be inaccurate. However, conservative estimates have been used in mitigation.
- 14.3. Overall, there is a financial risk to the Council.

## 15. Background Papers

Technical reforms of Council Tax - Consultation

<http://www.communities.gov.uk/publications/localgovernment/technicalreformcounciltax>

Technical Reform to Council Tax - Summary of Responses Report

<http://www.communities.gov.uk/publications/localgovernment/technicalreformcounciltaxsors>

The Local Government Finance Act 2012

<http://www.legislation.gov.uk/ukpga/2012/17/contents/enacted>

The Local Government Finance Bill : Technical reforms to Council Tax Impact Assessment

<http://www.communities.gov.uk/publications/localgovernment/lgfbcounciltaxia>

Report to Cabinet 25 July 2012 on Welfare Reform

<http://www.bournemouth.gov.uk/CouncilDemocracy/Councillors/CouncillorCommitteeMeeting/Cabinet/2012/07/25/Cabinet25-Jul-2012.aspx>

Council Tax Discounts and Exemptions - Recommendations

To help clarify these are the recommendations below with further details on the next page.

- A. To increase the charge on Second Homes from 90% to 100% (paragraph 7.2.2).
  
- B. To introduce a 50% Council Tax discount for a maximum period of 12 months on dwellings that are unoccupied, substantially unfurnished and undergoing major repair works to make them habitable or structural alterations that are not substantially completed (Class A) (paragraph 7.3.3)
  
- C. To introduce a 100% Council Tax discount for a maximum period of three months on other dwellings that are unoccupied and substantially unfurnished (Class C) (paragraph 7.4.3)
  
- D. To charge a 150% Council Tax on properties that are unoccupied and unfurnished for more than 2 years with the exception of those that are genuinely on the market for sale or letting or are the sole or main residence of a member of the armed forces and are empty whilst that member is absent as a result of such service (paragraph 7.5.3).

| Appendix 1 - Council Tax Discounts and Exemptions  |                   |             |           |           |             |               |
|--|-------------------|-------------|-----------|-----------|-------------|---------------|
| Scenario   | No. of properties | No change £ | Minimal £ | Medium £  | Maximum £   | Recommended £ |
| <b>Second Homes - furnished properties</b>   | 2,885             |             |           |           |             |               |
| Keep 90% Charge  |                   | 0           |           |           |             |               |
| Increase charge from 90% to 95%  |                   |             | (204,080) |           |             |               |
| Increase charge from 90% to 97.5%  |                   |             |           | (306,120) |             |               |
| Increase charge from 90% to 100%   |                   |             |           |           | (408,160)   | (408,160)     |
| <b>Exempt A - Major repair works/Structural Aterations - Discount to apply for up to 12 months</b>           | 89                |             |           |           |             |               |
| Maintain 100% Discount   |                   | 0           |           |           |             |               |
| 75% Discount - 25% charge for period of works  |                   |             | (29,900)  |           |             |               |
| 50% Discount - 50% charge for period of work   |                   |             |           | (59,800)  |             | (59,800)      |
| 0% Discount - Full charge for period of works  |                   |             |           |           | (119,600)   |               |
| <b>Exempt Class C - Unoccupied and Unfurnished - 100% Charge will apply after exemption or discount ends</b> | 1,319             |             |           |           |             |               |
| Maintain 6 Month Exemption   |                   | 0           |           |           |             |               |
| 6 months at 75% discount (25% charge)  |                   |             | (193,000) |           |             |               |
| Exempt 3 months OR 6 months at 50% charge  |                   |             |           | (386,000) |             | (386,000)     |
| No exemption/Charge 6 months   |                   |             |           |           | (772,000)   |               |
| <b>Long Term Empty and Unfurnished</b>   | 953               |             |           |           |             |               |
| Maintain 100% Charge   |                   | 0           |           |           |             |               |
| Increase charge from 100% to 125% after 2 years  |                   |             | (52,100)  |           |             |               |
| Increase charge from 100% to 137.5% after 2 years  |                   |             |           | (78,160)  |             |               |
| Increase charge from 100% to 150% after 2 years  |                   |             |           |           | (104,210)   | (104,210)     |
| <b>Mortgagees in Possession (Class L)</b>  | 33                |             |           |           |             |               |
| Introduce 100% charge  |                   | (40,760)    | (40,760)  | (40,760)  | (40,760)    | (40,760)      |
| <b>Impact</b>  |                   | (40,760)    | (519,840) | (870,840) | (1,444,730) | (998,930)     |
| Cost of local council tax support  |                   | 775,000     | 775,000   | 775,000   | 775,000     | 775,000       |
| <b>Net impact Loss/(Gain)</b>  |                   | 734,240     | 255,160   | (95,840)  | (669,730)   | (223,930)     |

### Other proposed technical changes

#### **Definition of “relevant person”**

Section 6 of the Local Government Finance Act 2012 closes a loophole in the provisions of section 66 of the Local Government Finance Act 1988, which provides that, if a ‘relevant person’ intends to let a building or part of a building for short periods totalling 140 day or more per year, it should be subject to non-domestic rates. This follows a court case involving a serviced apartment where the owner should have been liable to a non-domestic rate but successfully appealed based on the drafting error in the Local Government Finance Act 1988 that they were not a ‘relevant person’. This is not expected to have any significant effect in Bournemouth.

#### **The ability to pay over 12 months although the default number of instalments will remain at 10**

This is already offered in Bournemouth.

#### **Publication of supporting information in relation to the Council Tax on Council websites**

This will allow billing authorities to discharge their duty to provide information that must currently be supplied with Council Tax demand notices by publishing it online. However, the Council will still have to provide a paper copy of this information if requested.

#### **The treatment of domestic photovoltaic installations**

Under existing legislation domestic scale solar photovoltaic installations are treated as part of the property and reflected in the Council Tax band. However, those installed by third parties under a “rent-a-roof” scheme could be liable to a non-domestic rate liability.

The government has confirmed that domestic scale solar PV installations on domestic properties under the paramount control of a third party provider will be treated as part of those properties and not be liable to non-domestic rates. A “domestic” installation will be defined as one with a capacity of less than 10kw.

#### **The treatment of annexes to dwellings.**

Parts of domestic properties that have been constructed or adapted for separate occupation must be banded separately for Council Tax. This can be unfair in some circumstances most notably where a house has been physically adapted as a “granny annexe”, has been separately banded as a consequence but is no longer occupied as a separate unit of accommodation. The Government proposes to review whether this is unfair and should be changed. It is not expected that this will have a large impact for the Council.

Option Appraisal

Table 1 Second Homes Income

| Option            | Estimated Additional Income<br>£'000 | Comments   |
|-------------------|--------------------------------------|--|
| Keep 10% discount | 0                                    | Does not take advantage of new discretions   |
| 5% discount       | 204                                  | Generates some income. The average impact is £70 per dwelling. There is potential for some resistance from second home owners. There is still some incentive for owners to notify the authority of the property's status.  |
| 2.5% discount     | 306                                  | Medium impact. This would still allow second homes to be identified. It would probably still generate some resistance and collection issues as offering no discount.   |
| 0% discount       | 408                                  | Generates maximum income. The average impact is £141 per dwelling. There would be no incentive to inform the authority that the property was a second home leading to increased administration in identifying these properties. It could be argued that second home owners are unlikely to make as much use of local services as full-time residents and so charging the same level of charge as a wholly occupied dwelling is unfair. |

Table 2 Class A Income

| Option             | Estimated Additional Income<br>£'000 | Comments   |
|--------------------|--------------------------------------|--|
| Keep 100% discount | 0                                    | Does not take advantage of new discretions. The Government acknowledged in its consultation and its response that it is reasonable to give some relief for vacant properties that are uninhabitable for one good reason or another.  |
| 75% discount       | 30                                   | Unlikely to see significant resistance from homeowners/developers and reflects the Government's view that it is reasonable to give some relief to vacant properties that are uninhabitable.  |
| 50% discount       | 60                                   | Gives a balance between levying a charge to incentivise completion of works whilst reflecting the Government's view that there should be some relief for vacant properties that are uninhabitable. There may be some resistance from second homeowners and developers but allows some relief taking account of the fact that the property is uninhabited.  |
| 0% discount        | 120                                  | Maximises income. But it does not acknowledge the Government's opinion that it is reasonable to give some relief for properties that are uninhabitable. Could lead to attempts to have property taken out of Valuation List. Potential for resistance from homeowners and developers and attempts to claim exemption under Class C instead along with other avoidance techniques leading to increased costs of administration. |

**Table 3 Class C Income**

| Option                              | Estimated Additional Income<br>£'000 | Comments   |
|-------------------------------------|--------------------------------------|--|
| <b>Change Exempt Period</b>         |                                      |  |
| Keep 6 month exemption              | 0                                    | Does not take advantage of the new discretions. The Government has stated that they see no compelling reason why the first 6 months that a property is empty should be treated so generously as it is now.   |
| 3 months exemption                  | 386                                  | This would affect people who have moved home without selling or letting their old home and developers who have vacant new properties. However, it would implement the Government intention whilst still offering some support to homeowners.       |
| No exemption period                 | 772                                  | Potential for major resistance from homeowners, developers and multiple property owners. Could be seen to be unfair on ordinary homeowners who would face a charge for short periods in between moving homes where they cannot align moving dates. |
| <b>Change Discount for 6 months</b> |                                      |  |
| 75% discount                        | 193                                  | Would implement the Government's intention and should not be an undue burden on property owners.   |
| 50% discount                        | 386                                  | Mid - point. Has the same effect as granting 3 month exemption (see above)   |

**Table 4 Empty Homes Premium Income**

| Option                                  | Estimated Additional Income<br>£'000 | Comments  |
|---|--------------------------------------|---|
| Keep Charge to 100%                     | 0                                    | Does not take advantage of new discretions.   |
| Increase charge to 125%                 | 52                                   | Would see some resistance and impact on collection.   |
| Increase charge to 137.5%               | 78                                   | This would probably have the same consequences as charging the maximum allowed without the additional benefit.  |
| Increase charge to 150% maximum allowed | 104                                  | Is likely to see significant resistance and likely to be reflected in the collection rate. However, would be a major disincentive to leaving properties empty for long periods. |

Exclusions to the Increase in Second Home Charge

Additional Second Home charges will not apply to:

- pitches occupied by a caravan
- moorings occupied by a boat
- second homes where the liable person is living elsewhere in accommodation provided by reason of his employment
- second homes provided to the liable person by reason of his employment
- second homes owned by service personnel who live in accommodation provided by the Ministry of Defence
- chalets at Mundeford Sandspit and Hengistbury Head

all of the above will continue to be charged at 50%.

**Localising support for council tax - Transitional grant scheme - Pros & Cons of the scheme**

| <b>Advantages of taking grant and restricting eligible council tax liability to 91.5%</b>   |
|---|
| Some other Dorset authorities are likely to agree to this scheme for 1 year and may adopt the 8.5% restriction (i.e. limiting to 91.5% of liability).         |
| It would impact benefit claimants less in first year.   |
| It would see less of a drop in benefit for those moving into work.  |
| It would eliminate criticism that the Council did not take advantage of the funding available to minimise the effect of the changes to its benefit customers. |

| <b>Disadvantages (and advantages of staying with the current consulted scheme of restricting eligible council tax liability to 80%</b>   |
|--|
| <p>The grant is stated to be for 2013/14 (one - year) only</p> <p>The government believe that the impact can be managed through efficiency savings, tackling fraud and adjusting scheme parameters, but it is difficult to assess the reality of this at the current time.</p> <p>By introducing a more favourable scheme in 2013/14 means that the impact will be felt by customers in 2014/15 unless further funding is introduced.</p> <p>To restrict the scheme to 91.5% costs the Council £514k each year (including Fire and Police).</p> <p>The move from 20% liability (as consulted) to 8.5% liability will have a significant financial impact for the precepting authorities, as the increased scheme cost is not covered by the new grant.</p> <p>Clearly, for 2014/15 and beyond, assuming no further transitional grant and no scheme changes, then the loss would be the full additional gap.</p> |

The significant additional Financial burden on the Council due to a larger funding gap.

|             | Restricting working age claims to a maximum eligible council tax of 80% of liability<br>Funding Gap £000s | Restricting working age claims to a maximum eligible council tax of 91.5% of liability<br>Funding Gap £000s | Additional cost £000s after allowing for Transitional Grant funding.<br>£'000 |
|-------------|---|---|---|
| Bournemouth | 651   | 1,082   | 431   |
| Police      | 93  | 155   | 62  |
| Fire        | 31  | 52  | 21  |
| Total       | 775   | 1,289   | 514   |

The grant is paid after the local scheme is adopted and only on application  
The application is by self certification after 31/1/13. However if upon subsequent audit it was decided that the scheme did not comply the funding would be withdrawn.

The effect on the ability to provide targeted hardship provision  
The additional financial burden placed on the Council's MTFP would impact on its ability to provide other financial assistance to those most adversely affected by the introduction of Local Council Tax Support and the other welfare reform changes.

Consultation  
There is no clear guidance on whether there is a need to re-consult. If so additional expense will be incurred to consult in a very short time scale to meet deadlines, which may be impossible to achieve.

Collection  
It may not be administratively cost effective to collect the small amounts due with an 8.5% reduction in the event of non-payment.

Software  
It is reasonable to assume that software houses will incur additional costs and pass these onto customers.