

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	17 October 2016
SUBJECT:	Council Tax Premiums – progress report on implementation
PORTFOLIO HOLDER(S):	Councillor Hywel Eifion Jones - Finance
HEAD OF SERVICE:	Marc Jones – Head of Function (Resources) & Section 151 Officer
REPORT AUTHOR: TEL: E-MAIL:	Geraint Jones – Revenues & Benefits Service Manager 01248 752651 Geraint Jones3@ynysmon.gov.uk
LOCAL MEMBERS:	

A - Recommendation/s and reason/s

Recommendations

To note the progress in the implementation and anticipated additional income from introducing the Council Tax Premiums from 1 April 2017.

The Executive is requested to confirm its intention that funding generated from the premiums on empty and second homes will be utilised to assist in the provision of affordable houses on Anglesey. The level of funding to be allocated and the timetable for its use will be determined at a later date taking into account the current and future Housing policies and the wider needs of the Council resulting from the major developments on Anglesey.

To approve the use of the Council's contingency to meet the additional cost (£11,200) of the temporary clerical officer post up to 31 March 2017.

To approve the appointment of an additional enquiry/revenue officer on a permanent basis – the cost (£25,000) being met from the additional income collected under the Council Tax Premium.

Background and developments

On the 10 March 2016 the Full Council made the following decisions –

- To disapply any discounts granted to long-term empty dwellings and dwellings occupied periodically (usually known as second homes) and to apply a Council Tax Premium to such dwellings;
- The Council Tax Premium would be set at 25% for both long-term empty dwellings and second homes;
- A review of the Council Tax Premiums would be undertaken after the first full year of operation; and
- The Full Council instructed and authorised the Head of Function (Resources) & Section 151 Officer to –
 - Publish a notice of the decision in a local newspaper within 21 days - (appropriate notices were placed in the Holyhead Mail and Chronicle before the end of March 2016);

- Communicate the decision within 21 days to those affected, by publication of press notices, placing information on website pages or other avenues to raise awareness - (designated web pages were set up with regard to Council Tax Premiums on long-term empty dwellings and second homes on 8 April 2016 and each individual owner of such dwellings were sent a letter in the period from 12 May 2016 to 31 May 2016 advising them that according to Council Tax records currently held, that their dwelling from 1 April 2017 would be liable to the Council Tax Premium, the reasons for applying the Premium and the exceptions that may apply. 781 letters were sent out in respect of long-term empty dwellings and 2,337 with regard to second homes);
- Ensure that administrative arrangements were put in place to establish the estimated number of long-term empty dwellings and second homes eligible for the Council Tax Premium - (new additional codes have been set up on the software system to identify dwellings liable for the Council Tax Premium, there is no anticipated requirement for a major software upgrade to implement the Council Tax Premium, although software changes will be required to take into account changes on how the council tax base is calculated and revision of demand notices.

A Revenues and Benefits Officer was assigned 2 – 3 days per week during May 2016 to monitor and update records. As this officer has now taken up duties in Connect Mön, a temporary Clerical Officer has been employed full time from 5 September 2016 to provide general clerical support. The additional cost of the additional clerical support is above the budget for 2016/17. To date the cost of this officer (including on-costs) has been approximately £1,600 and by the end of March 2017 the total cost is estimated to be £11,200. The Executive's approval is requested to meet this additional cost out of the Council's contingency.

The roles of both Enquiry Officers have also been revised so that one is concentrating on revenue and the other on benefit enquiries. The Revenue Enquiry Officer is having to undertake desk base enquiries or external visits to dwellings to confirm whether or not a Council Tax Premium is liable on the dwelling following responses from owners);

- Ensure that administrative arrangements are put in place for the proper administration and enforcement of the Council Tax premium from 1 April 2017 onwards. The Full Council noted, when making its decision, that the Executive had agreed in principle (subject to the Executive's approval) to any additional resources that was deemed necessary (by the Head of Function (Resources) and Section 151 Officer, to ensure the proper administration and enforcement of the Council Tax Premium, which would initially include, establishing the estimated number of dwellings where the Council Tax Premium would apply - (As noted above additional resource has been employed to establish the number of dwellings where a Council Tax Premium will apply – this work is currently ongoing. In response to informing owners who, from the Council's current records, were liable to pay a Council Tax Premium a breakdown of the responses received to date is shown below -

Second Homes

326 responses have been received to date appealing against the decision to impose a premium. 74 appeals have been rejected and therefore the Council Tax Premium will apply to these dwellings. 93 cases, to date have been successful and the Council Tax Premium will not apply to these dwellings. The main reasons are as follows:-

No.	Reason
11	Dwelling is a sole or main residence
2	Being annexes of a main dwelling
3	Dwelling left unoccupied by a serving member of the armed forces
9	Dwelling which have a planning restriction on them
19	Unoccupied dwellings where the owner is required to live elsewhere as a condition of their employment
5	Dwellings which are being marketed to let
8	Dwellings which are being marketed for sale
23	Dwellings are tenanted and occupied
1	Dwelling sold
2	Dwellings which will be subject to Business Rates
6	Dwellings which now qualify for a Council Tax exemption
1	Valuation Officer has removed the dwelling from the Council Tax List
3	Dwellings being let for holiday purposes and should be liable to Business Rates

159 cases at present still have appeals outstanding that are being considered.

Long-term empty properties

116 responses have been received to date appealing against the decision to impose a premium. Of these, 76 will be exempt from the premium. The main reasons are as follows:-

No.	Reason
2	Will be liable to Business Rates as being advertised for holiday let
1	Annexe, part of a main dwelling
51	Dwellings are owner occupied
2	Dwellings being marketed for sale
2	Council Tax exemption will apply
7	Dwellings are tenant occupied
3	Dwellings sold
2	Dwellings taken out of the Council Tax List
6	Dwellings left empty due to the owner being required to live elsewhere as a condition of employment.

The main feedback from dwelling owners who have written in to complain about the premium, particularly on second homes, is that they have been holidaying on the Island for a number of years and have been contributing to the local economy, employing local tradesmen to undertake maintenance or building work. They maintain that a lot of their spending power benefits local shops, bars, eating places etc.

There have been challenges regarding the consultation period and the justification for raising premiums and the Council's intended use of the additional income raised.

This has provided an important overview how owners are and potentially will be reacting to the imposition of the Council Tax Premium. To ensure the future robustness and accuracy of the tax base it is evident that reviews of single person occupancy, sole and main residence claims, holiday let periods will mean greater use of credit agency records as well as physically having to confirm or otherwise the claims being made by owners. From the responses to date (and I anticipate more when actual bills are issued in March 2017) there may be challenges at tribunal level to the setting of the premium and at magistrates court in enforcing the payment of the premium.

It is important, therefore, that the Council is not only able to accurately establish the correct level of the potential additional income that can be raised but also has a clear policy intention on how this additional income will be used to the benefit of the local community. Whilst the Authority can spend the additional income as it wishes and the Welsh Government has repeatedly stated that this additional revenue will not be ring-fenced, the Welsh Government has also repeatedly stated that local authorities will be encouraged to use it to assist with the provision of affordable housing and meeting other local housing needs.

With the risk of possible challenges to the premium and enforcement of the premium would defence of the Council's position be easier if the Council had a clear stated policy on how the additional income is to be spent and not just use the additional income to balance the budget, for example?

Currently, the Revenues and Benefits Service has two Enquiry Officers – one for Revenues enquiries and one for Benefit enquiries. They are both full time officers fully employed in their current duties. The additional work that will arise from implementing, verifying and collection of the Council Tax Premium cannot be met from this resource. The verification of discounts and exceptions to the premium, for example, which will seek to minimise tax avoidance of the premium and an additional enquiry/revenue billing officer, funded by the additional income from Council Tax Premium is recommended. Based on the pay scales of the current officers, this will cost £25,000 per annum (including oncosts).

- The Full Council also instructed the Head of Function (Resources) and Section 151 Officer to determine whether the Full Council, under section 13A of the Local Government Finance Act 1992 ("the 1992 Act"), should use its discretionary powers to reduce council tax liability resulting from a Council Tax Premium to an extent it thinks fit. At the time of this report no circumstance has arisen where I would consider it necessary for the Full Council to use this power but should such a circumstance arise from now to when the Full Council determines its Council Tax for 2017/18 the necessary determination will be included in the resolution for the Executive and Full Council to consider. The cost of such a reduction would be met in full by the Council.

Current estimated additional income to be raised from a Council Tax Premium of 25%

The Full Council was advised before it made its decision on 10 March 2016, that a premium of 25% would raise an estimated additional income of £730k. This was net of an adjustment/error allowance of 30%.

Currently, having amended records following the issue of Council Tax premium letters and checking of credit agency records (which is still ongoing), the total reduction in anticipated income to date is £55k. At the time of writing this report the anticipated additional income is £1,025,125. No adjustment/error allowance has been made to this figure. Below is a table showing the movements from what was advised to the Full Council in March 2016 and now:-

Second Homes – March 2016			Second Homes – September 2016		
Band	No.	Band D Equivalent	Band	No.	Band D Equivalent
A	173	115.33	A	124	82.67
B	244	189.78	B	209	162.56
C	475	422.22	C	443	393.78
D	579	579.00	D	543	543.00
E	460	562.22	E	429	524.33
F	245	353.89	F	227	327.89
G	116	193.33	G	117	195.00
H	30	60.00	H	32	64.00
I	15	35.00	I	14	32.67
Total	2,337	2,510.78		2,138	2,325.89

Second Homes (based on average band D figure for 2016/17) additional revenue (September 2016) $2,325.89 \times \text{£}1,340.57 \times 25\% = \text{£}779,505$

Long Term Empty – March 2016			Long Term Empty – September 2016		
Band	No.	Band D Equivalent	Band	No.	Band D Equivalent
A	149	99.33	A	159	106.00
B	135	105.00	B	142	110.44
C	140	124.44	C	142	126.22
D	152	152.00	D	155	155.00
E	112	136.89	E	105	128.33
F	42	60.67	F	47	67.89
G	19	31.67	G	22	36.67
H	0	0	H	0	0
I	0	0	I	1	2.33
Total	749	710.00		773	732.89

Long term empty homes (based on average band D figure for 2016/17) additional revenue (September 2016) $732.89 \times \text{£}1,340.57 \times 25\% = \text{£}245,620$

B - What other options did you consider and why did you reject them and/or opt for this option?

This is an update on the implementation of a policy agreed by the Full Council.

C - Why is this a decision for the Executive?

This is an update on the implementation of a policy agreed by the Full Council.

CH - Is this decision consistent with policy approved by the full Council?

This is an update on the implementation of a policy agreed by the Full Council.

D - Is this decision within the budget approved by the Council?

The budget is yet to be approved how the Full Council intends to spend the additional income raised from setting a Council Tax Premium.

DD - Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	Agree with the contents of the report – on 03/10/16
2	Finance / Section 151 (mandatory)	
3	Legal / Monitoring Officer (mandatory)	
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	
E - Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	
F - Appendices:		
None		
FF - Background papers (please contact the author of the Report for any further information):		
Decision of the Full Council regarding Council Tax Premiums on 10 March 2016		