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Agenda Item No.3

**DERBYSHIRE COUNTY COUNCIL
CABINET MEMBER FOR COUNCIL SERVICES**

3 October 2013

Report of the Director of Finance

COUNCIL TAX DISCOUNTS FOR ANNEXES

1 Purpose of Report

To inform the Cabinet Member of the details contained within the Council Tax Discounts for Annexes consultation and request approval for the draft response attached at Appendix One.

2 Information and Analysis

On 25 August the Department for Communities and Local Government (DCLG) published a consultation document regarding council tax discounts for annexes. This is a follow up to a Technical Reforms to Council Tax consultation which was published in October 2011.

There are two statutory exemptions which can apply specifically to annexes in certain circumstances, these are:

- Class T – A dwelling which with another dwelling forms a single property and may not be let separately, without a breach of planning law.
- Class W – A dwelling which with another dwelling forms a single property and is the sole or main residence of a dependant elderly or disabled relative of the main part of the property.

However, where neither exemption applies or where the circumstances leading to an exemption no longer apply (such as the death of the occupant) council tax will be chargeable, leading to double taxation for the owner of a property with an annexe.

The proposed changes aim to support families living together in properties with annexes, such as those caring for elderly parents. It is hoped that these changes will also support the Government's policy of increasing affordable housing. The consultation states "the current council tax system unfairly penalises owners of properties with annexes through double taxation as

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owners are receiving council tax demands for annexes in addition to demands for their main building.”

The discount will only apply where it is a family member living in the annex, and would be in addition to any discount applicable under sections 11 and 11A of the Local Government Finance Act 1992 (including the existing single person discount, which already applies to standalone dwellings occupied by single adults).

The consultation seeks views on the level of the discount that should be offered to annexes and proposes four options with estimated annual national costs shown below (costs are based on the estimated number of annexes occupied by family members not already receiving exemptions under categories T or W above):

	10%	25%	50%	100%
England	£1,693,000	£4,232,000	£8,465,000	£16,930,000
Shire District	£1,197,000	£2,992,000	£5,985,000	£11,969,000
London Borough	£137,000	£343,000	£687,000	£1,373,000
Metropolitan District	£66,000	£165,000	£331,000	£661,000
Unitary Authority	£293,000	£731,000	£1,463,000	£2,925,000

The consultation states that the Government’s preferred option is to introduce a 50 per cent discount as it believes this would better reflect the level of council tax that would be due on a property and annexe if it were banded as one property.

It is not possible to accurately estimate the impact to Derbyshire County Council without details of the number of annex properties within each of the district authorities. However, assuming that the average council tax used by Government in the calculation above includes all precepting authorities, based on the percentage council tax requirements of all Shire District authorities, it is estimated that the impact to the Council will be in the region of £30k for 10% discount, £80k for 25% discount, £160k for a 50% discount or £320k for a 100% discount.

The consultation assumes that as billing authorities already have the burden to deal with the administration of annexes and therefore assumes there would be no additional administrative costs. The consultation then asks if there are additional costs for administering a new discount.

Any administration costs of the new discount would lay with the billing authority.

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The document states that “billing authorities will be compensated for any revenue lost because of the discount”, however, there is no reference to county councils being compensated. As the discount will have an impact on the taxbase, the council tax for the County will be reduced as a result of the change.

The document also fails to state what methodology will be used for compensating councils.

The consultation runs for six weeks and closes on the 8 October. It is proposed that the Council responds to this consultation and a draft response is included at Appendix One.

3 Considerations

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

4 Key Decision No.

5 Call-in

Is it required that call-in be waived in respect of the decisions proposed in this report? No.

6 Background Papers

Council Tax: National Council Tax Discounts for Annexes Consultation issued by the Department for Communities and Local Government on 25 August 2013.

7 OFFICER'S RECOMMENDATION

That the Cabinet Member notes the details of the consultation and approves the draft response attached at Appendix One.

PETER HANDFORD
Director of Finance

17 September 2013

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APPENDIX ONE

Council Tax Team
Department of Communities and Local Government
5/H1 Eland House
Bressenden Place
LONDON SW1E 5DU.

1 October 2013

RE: Council Tax - National Discount for annexes

Dear Sirs

I am writing in response to the consultation on the national Council Tax discount for annexes on behalf of Derbyshire County Council. The consultation requests the response to two specific questions which have been answered below:

Q1 – What level of Council Tax discount should apply; 10%, 25%, 50% or 100%

The Council will suffer a loss of income at any level of discount offered as any reduction results in a reduction to the taxbase. The Council is concerned that the consultation document refers to compensating billing authorities for loss of income, with no mention of compensating precepting authorities.

Therefore, the Council is disappointed that precepting authorities have not been considered and expects Government to set out its proposal for compensating precepting authorities before the council can comment on the proposals.

The Council however acknowledges the Government's attempt to support vulnerable families.

Q2 – Are there additional costs for administering a new discount for annexes, over and above those already incurred in administering the existing system of discounts and exemptions? If so, from what activities do those costs arise?

It is not felt there would be any additional administration costs associated with delivering the discount. However the Council is concerned about the loss of income for the reasons stated above.

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The Council is also concerned that the Government will top-slice local government funding, namely the Revenue Support Grant, to fund the loss of income. At a time when local government is set to receive significant reductions to RSG, as announced in the recent Local Government Finance Technical Consultation document, the Council wishes to seek assurance from Government that there will be no reduction in RSG to fund these proposals which would be contrary to the New Burdens doctrine.

Kind Regards