


Agenda Item No:	12	
Committee:	Council	
Date:	6 November 2014	
Report Title:	Flooding – help with Council Tax	

## 1 Purpose / Summary

A small number of homes (mainly in March) were flooded as a result of the day of exceptionally heavy rain in August. Some residents have left their homes to dry out, and may be away from them for some time. This report recommends that these residents be awarded a Council Tax discount to reflect properties left empty for this reason.

## 2 Key issues

- Before April 2013, these cases would have been granted exemptions whilst the properties were uninhabitable, as part of nationally prescribed regulations.
- Since April 2013, the legislation has changed with Councils instead having powers to grant a discount instead. We changed our approach at this time as part of the introduction of Council Tax Support. In order to close the resultant funding deficit, we withdrew these discounts. This means that no automatic means to grant a reduction in Council tax exists for properties left empty as a result of flooding.
- Note that we are not seeking to assist residents who have chosen to remain in their homes after the flooding.
- This report also details potential risks of setting a precedent by granting this local discount.

## 3 Recommendations

That Council, as recommended by Cabinet:-

- Note the attached report,
- Agree that a Class of Local Discount is created to allow a 100% discount from Council Tax, and defined as "100% Council Tax discount in respect of properties left unoccupied as a direct result of the flash flooding on 8 August 2014" and that it will last for a fixed period of three months.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	This report is included in the Forward Plan
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<b>Background Paper(s)</b>	N/a

#### **4 Background**

- 4.1 Council Tax is charged based on a combination of the market value of property (from which “Council Tax bands” are derived) and occupancy.
- 4.2 Regulations specify a set of circumstances where the Council Tax is not payable as a result of an “exemption” being granted. There are a number of classes of exemptions covering both occupied and unoccupied property.
- 4.3 Before April 2013, where a property was uninhabitable as a result of flooding (amongst other things), an exemption “Class A” applied, so no Council Tax was payable for up to one year (or sooner, if the property became habitable before that time) after the event.
- 4.4 From 1 April 2013 the position changed. At this time, Council Tax Benefit was abolished and replaced by Council Tax Support (CTS), with Government funding reduced. Simultaneously the exemption above was abolished, as was another (Class C – properties that were empty and unfurnished) but Councils given the power to give discounts to replace these two exemptions
- 4.5 In order to meet the funding gap for CTS, Fenland decided not to grant discounts to replace these exemptions. This means that in Fenland, residents no longer get a Council Tax reduction if they leave their property empty.
- 4.6 This means that currently there is no relief from Council Tax for residents who have had to leave their property empty after flooding whilst it dries out, yet continue to pay full Council Tax in respect of it and also on the property that they may be living in at this time.

## **5 Proposed local discount for flooded properties**

- 5.1 Councils have the power to grant a “local discount”, which may be exercised in relation to particular cases or by determining a class of case. This power was created in Section 13a of the Local Government Finance Act 1992 (as amended by Section 76 of the Local Government Act 2003).
- 5.2 The purpose of this legislation was to give Councils the freedom to reduce Council Tax for certain groups or in particular cases, where some residents can get reductions not available through exemptions, other discounts or CTS.
- 5.3 The Council administering the Council Tax in an area (known as the “billing authority”) would create a local discount, administer it and most importantly, must legally bear the full cost of the resultant reduction in Council Tax. This contrasts with the Council Tax collected, that is shared between District, County and Parish Councils as well as the Police and Fire bodies.
- 5.4 The flooding represented an exceptional event and is arguably a unique situation to treat differently to normal circumstances.
- 5.5 It is proposed that the Council creates a special, local discount to specifically cover properties that have been left vacant as a result of the major flooding event on 8 August 2014. In order to ensure only those genuinely affected would qualify, the discount is subject to certain criteria including the property being inspected, photographic evidence and proof of an alternative address whilst the property is empty as a result of the flooding.
- 5.6 To grant this discount, Council will be required to determine this new local discount.

## **6 Properties affected and costs of a local discount**

- 6.1 The August flooding event was exceptionally rare and localised. Sixteen residents had contacted us at the time of the report taken to Cabinet for its 23 October 2014 meeting, to advise that they have moved out of their properties as a result of the flooding. These were located as follows:-  
March (12), Leverington (2), Doddington (1) and Wisbech St Mary (1).
- 6.2 As a result of the publicity reporting the above meeting, a further five residents have contacted the Council asking for help on the same basis. The 21 residents now concerned are located as follows:-  
March (16), Leverington (2), Doddington (1), Elm (1) and Wisbech St Mary (1).
- 6.3 Since April 2013 we have not had the scope to automatically help residents such as these. The cost to the Council is relatively low (see section 6.12 for details) and recognised the extreme weather event that caused significant distress and disruption to these residents and also generated much media interest.
- 6.4 There are risks to the Council if we were to grant this discount and then experience similar events, whether they affect just one or hundreds of properties; as agreeing to

create this specific discount could be seen as setting a precedent.

- 6.5 The legislation itself is designed to allow Councils discretion to award discounts for circumstances not covered by other statutory reductions (such as classes of exemptions set out by legislation).
- 6.6 The intention in the proposed use of this power on this occasion is to respond to a specific event; Cabinet and then Council would be able to consider responses to other circumstances in future whilst taking account of the precedent set here.
- 6.7 A larger scale event could be one such as a winter tidal surge breaching flood defences in Wisbech flooding hundreds of properties.
- 6.8 In the situation described in section 6.7 above, we would expect that this would qualify for Government funding as the major flooding in areas of the country such as the Somerset Levels and Canvey Island did last winter. We are also aware that some areas in other parts of the country did not qualify for funding.
- 6.9 However it must be stressed that this Government funding cannot be guaranteed and there would be a significant cost to the Council (these are figures using Band D Council Tax which is the "average" property for Council Tax purposes) :-
- | Period   | 50 properties | 100 properties | 200 properties |
|----------|---------------|----------------|----------------|
| 3 months | £20,578       | £41,155        | £82,310        |
| 6 months | £41,155       | £82,310        | £164,620       |
- 6.10 The costs of a discount also depend on the period that properties remain empty. Of the 21 properties we have been given indications from the owners (based on advice they have received from insurers and builders) that there is no feel for period (12), it will be 2 months (2), 3-6 months (2), 6 months (4) and 8 months (1 case).
- 6.11 It is recommended that Cabinet grant this discount for three months whilst noting the indications in paragraph 6.10 above which may suggest that some properties will be unoccupied for much longer periods than three months.
- 6.12 The costs reported to Cabinet, to be funded by the Council were £5,114 (if the discount were to apply for six months, it would be £10,228). Now that there are more properties affected, the costs of awarding this discount for three months are £7,028.71.
- 6.13 Cabinet at its meeting on 23 October 2014 asked Officers to contact precepting authorities and ask that they contribute towards the costs of this local discount. Their contribution would be at a level that reflects the percentage of Council Tax raised and collected by the Council on behalf of those bodies (The County Council, Police & Crime Commissioner, Fire Authority and Parish /Town Councils).
- 6.14 As at 28 October 2014, Cambs County Council, March Town Council and the Cambs Fire Authority had responded to the request for funding, confirming that they will contribute towards the cost of this discount.

- 6.15 Cambs County Council advised that they are willing to fund 50% of the cost (currently £3,514.36), March Town Council would fund their share of the Council Tax precept (currently a total of £102.12 for the properties affected in March) and Cambs Fire Authority would fund their share of the precept (currently £274.50). These funding agreements mean that the net cost to Fenland District Council will now be £3,137.73 (45%).
- 6.16 The Portfolio Holder for Finance will confirm the final figures at the meeting.

## **7 Next steps**

- 7.1 It is suggested that Council approves the creation of a local discount for these properties specifically for a three month period, commencing on 8 August 2014, whilst considering the potential lengths of time that properties could eventually be uninhabitable for as outlined in section 6.10 above.
- 7.2 The local discount would be referred to as "100% Council Tax discount in respect of properties left unoccupied as a direct result of the flash flooding on 8 August 2014" and that it will last for a fixed period of three months; in order to distinguish it from any other ad-hoc requests that the Council may receive from Council Tax.
- 7.3 There is a chance that a small number of further applications for this discount are received. Officers will ensure that all cases are checked and the discount awarded where it means the specific criteria in this report.
- 7.4 Further successful applications will mean an increase in the funding required. Precepting authorities will be asked to contribute towards these costs.