

**Cabinet – 16<sup>th</sup> January 2013**

**Review of Discretionary Council Tax Discount on Empty Properties and Second Homes**

**Report of the Executive Director of Commercial and Corporate Services**

**1. Purpose of Report**

- 1.1. To review Council Tax discounts for Empty Properties and Second Homes resulting from the Council Tax technical reforms that come into effect on 1<sup>st</sup> April 2013.

**2. Description of Decision**

- 2.1 To recommend to Council to amend the current policy on Council Tax discounts for Empty Properties with effect from 1<sup>st</sup> April 2013 by:
  - 2.1.1 Introducing the Empty Homes Premium of 150% on properties that have been empty and unfurnished for more than 2 years
  - 2.1.2 Awarding a discount of 25% on properties that have been empty for a period of up to 12 months that require or are undergoing structural alterations.
  - 2.1.3 Awarding a discount of 25% on properties that are empty and unfurnished for up to 6 months with the exception of properties that are empty and unfurnished that are reoccupied within 1 month where the discount will remain at 100%, and
  - 2.1.4 Reducing the discount on Second Homes from 10% to zero.

**3. Background**

- 3.1 The Local Government Resource Review has three elements: local retention of Business Rates, replacement of Council Tax benefits with local Council Tax Support schemes and technical reforms to Council Tax. This report covers the latter area of technical reforms following the Governments publication of its consultation response at the end of May 2012 resulting in changes to legislation under The Local Government Finance Act 2012. The changes that take effect from 1<sup>st</sup> April 2013 are in relation to second homes discounts, homes previously exempt because they require or are undergoing structural alterations and empty properties. Councils are also given powers to set an Empty Homes Premium of up to 150% on properties that have been empty for more than 2 years.

- 3.2 Under current legislation 2<sup>nd</sup> Homes (empty but furnished properties) must receive a minimum of 10% discount, however this will reduce to zero from 1<sup>st</sup> April 2013. Many second homes are owned by investors who are not renting out the property. From 1<sup>st</sup> April 2012 the council reduced 2<sup>nd</sup> Homes discount from 50% to the statutory minimum 10% and this policy change has helped reduce the number of second homes from 738 to 617. To reduce this discount to zero should further encourage owners to either to sell or rent their properties.
- 3.3 Where a property is unfurnished and requires or is undergoing structural alterations the owner is exempt (Class A) from paying council tax for a period of up to 12 months. There are currently 117 properties receiving this exemption. From 1<sup>st</sup> April 2013 this exemption is no longer available and is replaced by a discount which can range between 0% and 100%. At present with in effect a 100% discount applied (exempt) there is little incentive for the property owners to bring the property back into use but by reducing the discount to 25% this should act as an incentive to encourage owners to get properties back into use more quickly in line with the Council's Housing Strategy.
- 3.4 Where a property is empty and unfurnished the owner is exempt (Class C) for a period of up to 6 months. There are approximately 1,700 properties receiving this exemption at any one time. During a financial year this exemption is awarded in approximately 11,000 instances with 4,800 for periods of less than one month. From 1<sup>st</sup> April 2013 this exemption is no longer available and is replaced by a discount which can range between 0% and 100%. By reducing the discount to 25% for those properties that are empty for longer than 1 month should encourage owners to bring properties back into use more quickly in line with the Council's Housing strategy. Properties that are reoccupied within one month will continue to receive the 100% discount.
- 3.5 Finally, there are currently 700 properties that have been empty and unfurnished for a period greater than 2 years. These properties currently receive no discount, in effect paying 100%. From 1<sup>st</sup> April 2013 the council has the option to impose a premium of up to 50% (Empty Homes Premium) to encourage owners to either sell or rent out their properties. It is anticipated that applying this option in full, which is also consistent with all neighbouring Authorities, should have a positive effect on getting properties back into use which again is in line with the Council's Housing Strategy.

#### **4. Discretionary Relief**

- 4.1 Section 13A of the Local Government Finance Act 1992 (as inserted by Section 76 of the Local Government Act 2003), gives the Council power to reduce the amount of tax payable for example where it can be demonstrated by the liable person that they are suffering from financial hardship, or a particular class of case determined by the local authority.
- 4.2 In such cases, a reduction in liability of up to 100% can be granted.
- 4.3 This discretionary power could be used to alleviate problems to individual council tax payers, but only in exceptional cases.

- 4.4 There will be a potential loss of income associated with this policy, dependent upon the number of successful applications. A prudent estimate will be built into the Medium Term Financial Plan in recognition of this.

## **5. Financial Implications**

- 5.1 It is estimated that the proposals in respect of discounts to Empty Properties and Second Homes and application of the Empty Homes Premium would increase council tax income collected by around £1.3m a year from 2013/14.

It is expected that in 2013/14 and in subsequent years the Council will receive the full benefit of the additional income without it affecting Revenue Support Grant because of changes to the way funding is to be distributed under the new Local retention of business rates system.

- 5.2 The revised policy would impact upon Social Housing and private landlords as their costs would potentially increase to reflect the amended lower discounts offered by the Council from 1<sup>st</sup> April 2013.

## **6. Other Factors**

Whilst policies have not been confirmed all neighbouring local authorities have indicated that they are reviewing their discount policies in line with the recent changes in legislation.

## **7. Consultation**

- 7.1 Statutorily, there is a requirement to publish a notice in a local newspaper within 21 days of making such a determination should Cabinet and the Council choose to implement the recommendations with effect from 1<sup>st</sup> April 2013.

- 7.2 The proposed review also needs to be approved by members before the Council approves its Council Tax Base for 2013/2014 for the changes to become effective from 1<sup>st</sup> April 2013.

## **8. Suggested reason(s) for Decision**

- 8.1 To review the Council Tax Discount policy of the council for 2013/14 in response to changes in legislation .

## **9. Alternative options**

- 9.1 None

## **10. Background papers**

- 10.1 Local Government Act 2003 and the subsequent regulations; the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003

## **Appendix 1**

### **Legal Implications**

Sections 11, and 12 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. The ability to raise income from second homes will be made by amending existing legislation.

### **Sec 13a Local Government Finance Act 1992**

#### **Billing Authority's power to reduce amount of tax payable**

- 1) Where a person is liable to pay council tax in respect of any chargeable dwelling and any day, the billing authority may reduce the amount which he is liable to repay as respects the dwelling and the day to such extent as it thinks fit.
- 2) the power under (1) above includes power to reduce an amount to nil.
- 3) the power under (1) above may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by determination.