

## CABINET

17<sup>th</sup> October 2017

### TECHNICAL REFORM OF COUNCIL TAX

#### Report of the Director for Resources

Strategic Aim:	Sound financial planning and workforce planning	
Key Decision: No	Forward Plan Reference: FP/110817	
Reason for Urgency:	N/A	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor Oliver Hemsley, Deputy Leader and Portfolio Holder for Growth, Trading Services and Resources (except Finance)	
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Ward Councillors	N/A	

#### DECISION RECOMMENDATIONS

That Cabinet:

1. Recommends to Council that the discount for uninhabitable homes be removed and full Council Tax charged from 1<sup>st</sup> April 2018.
2. Recommends to Council that the discounts for empty homes be removed and full Council Tax charged from 1<sup>st</sup> April 2018.
3. Recommends to Council that the premium for long term empty homes be set at 50% from 1<sup>st</sup> April 2018.
4. Authorises the Assistant Director – Finance, in consultation with the Cabinet Member with portfolio for Growth, Trading Services and Resources (except Finance), to amend the Local Council Tax Support Discretionary Fund Policy to provide support to owners of empty homes who are facing genuine financial hardship.

## **1 PURPOSE OF THE REPORT**

- 1.1 The purpose of the report is to seek approval to change the Council Tax empty home discounts and the premium levied on empty homes that have been unoccupied for over two years with effect from 1<sup>st</sup> April 2018.

## **2 BACKGROUND AND MAIN CONSIDERATIONS**

- 2.1 Since April 2013, local authorities have been able to set their own discretionary discounts for empty homes and charge a premium for empty homes that fall into certain defined categories. The discounts and the premium have not been reviewed since they were originally set in 2013.
- 2.2 The Government provide a number of property exemptions or discounts at 100% for homes that meet certain criteria i.e. the owner is in a care home. The Council has no power to change these.
- 2.3 Officers obtained authority from Cabinet on 15<sup>th</sup> August 2017 to undertake a public consultation to ascertain people's views on the discounts currently offered for empty homes and the additional premium charged on long term empty homes.
- 2.4 There were a number of key drivers for undertaking a review:
- The Council continues to face financial pressures. Although it spends less per household than most other unitary authorities, it continues to receive less central government funding. It is therefore important that the Council looks at all discounts it offers and premiums charged to make sure that it considers any opportunities to increase income before reducing or cutting services.
  - The Council has c90 empty homes. Empty homes can have a negative impact on our community including:
    - i) A reduction in the value of the property and the neighbouring properties;
    - ii) Environmental risks from vermin and waste;
    - iii) Focal points for illegal and anti-social behaviour such as fly tipping, vandalism and arson;
    - iv) A waste of housing when people are in need; and
    - v) Increased risk of squatters.
  - Finally, in reducing the Council tax liability of some house owners, the Council needs to consider whether it is being equitable to others who pay the full charge.
- 2.5 The Council has considered these drivers alongside the results of consultation (which are shown in Section 7).
- 2.6 The Council's overall proposal is to remove the discounts and maximise the premium that can be charged but to amend the Council's hardship fund so that those who cannot meet any additional charge continue to be eligible for a

discount. 81% of respondents agreed that we should do what we can to increase our income before we look at reducing services and many supported the drive towards reducing empty homes. This feedback supports the proposed changes.

2.7 Some respondents pointed out areas where they thought the Council should look for further savings (e.g. libraries, roads, salary levels) rather than make changes and the Council will continue to look in these areas.

2.8 The changes proposed are outlined in Sections 3 and 4.

### **3 DISCOUNT FOR UNINHABITABLE AND EMPTY HOMES**

3.1 Since April 2013 the Council has offered a discount of 50% for 12 months for empty uninhabitable homes. After 12 months the full Council Tax charge is payable. In 2016/17 the Council awarded 70 uninhabitable home discounts which cost c£25k.

3.2 The Council has also offered a discount for other habitable empty homes of 100% for one month followed by a discount of 50% for a further five months. After six months the full Council Tax charge is payable. In 2016/17 the Council awarded 1,350 discounts at 100% for up to one month and 801 discounts at 50% for up to a further five months which cost c£200k.

3.3 The Council is able to charge full Council Tax for uninhabitable homes and habitable empty homes from the first day that the home become unoccupied and unfurnished. Removing the discount has the following benefits:

- maximising potential additional income;
- encouraging owners to bring their properties back into use in a shorter period of time;
- reducing administrative cost of verifying, awarding and billing the discounts;
- reduce the number of appeals and complexity of queries about the period of the discounts and entitlement from taxpayers; and
- reduce the administrative cost and time currently taken by routine 12 weekly inspections of uninhabitable and empty homes

3.4 Analysing the responses to the public consultation tell us that 48% of respondents think that the full Council Tax should be payable for homes that are uninhabitable with 38% wanting no change (Appendix A 3.2 and 3.3). The Council also received comments (Appendix A 4.1) from people who support the drive towards moving empty homes.

3.5 It is to be expected that respondents who own a home that is empty or uninhabitable did not agree and 14% asked for the charge to be reduced. (Appendix A 3.2)

3.6 It is therefore recommended that the discounts are removed from 1<sup>st</sup> April 2018.

## **4 PREMIUM FOR LONG TERM EMPTY HOMES**

- 4.1 Since April 2013 the Council has charged a premium of 10% on homes that have been empty for over two years. This means that after two years, taxpayers pay 110% Council Tax. In 2016/17 the Council charged 90 premiums at 10% which resulted in additional income of c£8.5k. Some properties have been empty for much longer than two years.
- 4.2 Increasing the premium from 10% to 50% has the following benefits:
- maximising potential additional income of c£25k; and
  - encouraging owners to bring their long term empty properties back into use sooner or sell or rent out the property.
- 4.3 The Council wants to encourage owners of long term empty homes to bring them back into use. Charging a premium may incentivise owners to take action on their empty home or to seek advice on what they can do with it. Our Empty Homes Officer can offer advice and support on selling, renting, VAT discounts and local schemes.
- 4.4 75% of respondents to the consultation were supportive of increasing the premium to 50% (Appendix A 3.4). It is therefore recommended to increase the premium from 10% to 50% with effect from 1<sup>st</sup> April 2018.

## **5 POTENTIAL ISSUES**

- 5.1 Officers have identified a number of potential risks to removing the discounts after one month and increasing the premium and steps that can be taken to minimise the risks as follows:
- It may be difficult or not cost effective to collect smaller sums due when a property has been empty for a short period of time i.e. one tenant moves out and a new tenant moves in a week later. The owner would be liable for full Council Tax for one week. This risk can be minimised by prompt billing and proportionate enforcement which may result in the write off of small sums under delegated authority.
  - There may be an increase in fraudulent claims for a single occupier discount as this would be the only way to obtain a reduction on the bill. This can be mitigated by increasing our checks at point of application for a discount and continued annual reviews of single occupier discounts.
  - Owners of empty homes may object to paying more than they are currently paying or they may be struggling to pay if they are suffering from financial hardship. This can be mitigated by taking proportionate enforcement i.e. obtaining a charge on the property so the debt is paid when the house is sold or remitting some or all of the debt using discretionary powers detailed in point 6 below.
  - There may be some ratepayers who suffer financial hardship and therefore cannot afford to meet the cost of any changes. This can be mitigated through other discounts (as discussed in Section 6).

## 6 DISCRETIONARY DISCOUNTS

- 6.1 The Council has the power to reduce the amount a taxpayer has to pay to such an extent as it sees fit under Section 13A of the Local Government Finance Act 1992. It is recognised that some owners of empty homes may be suffering from genuine financial hardship and they simply cannot afford to pay their Council Tax bill.
- 6.2 The analysis of the consultation tells us that 79% of people think that we should offer a discretionary discount to people who are suffering from genuine financial hardship and the Council supports this view (Appendix A 3.5).
- 6.3 The Local Council Tax Support scheme has an accompanying Discretionary Fund that could be utilised for this discount. Officers can devise an addendum to the existing Policy to enable awards to be made efficiently and promptly to cover the following issues such as householders who have had to move out because of a disaster (fire or flood for example) or Armed Forces personnel who are posted overseas.

## 7 CONSULTATION

- 7.1 A public consultation was undertaken from 21<sup>st</sup> August 2017 to 15<sup>th</sup> September 2017, in order to seek views from taxpayers and stakeholders. A full analysis of the responses and comments made are detailed at Appendix A.
- 7.2 The Council has consulted with the Leicestershire Fire Authority and the Police and Crime Commissioner for Leicestershire but neither has submitted any comments.
- 7.3 The Councils' Growth, Infrastructure and Resources Scrutiny Panel also considered the consultation questions and were broadly supportive of a move towards removing discounts but were keen to retain a one month discount.

## 8 ALTERNATIVE OPTIONS

- 8.1 The Council could decide not to review the discounts and premium or offer smaller discounts. In light of the comments made in section 2, the recommended option is highlighted below with the associated financial impact (this is based on 2017/18 data).

<b>Empty uninhabitable homes</b>	<b>50% 12 months (current)</b>	<b>50% 1 month</b>	<b>50% 6 months</b>	<b>No discount</b>
Additional income	£0	£21,108	£16,822	£26,078
No. with reduced/lost discount	0	63	19	67
<b>Habitable homes</b>	<b>Month 1 100% discount, 50% months 1-6</b>	<b>Months 1 50% then zero discount</b>	<b>Month 1 100% then zero discount</b>	<b>No discount</b>
Additional income	£0	£146,377	£95,736	£197,018
No. with reduced/lost discount	0	1,725	802	1,725
<b>Premiums</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>	<b>50%</b>
Additional income	£0	£7,853	£15,706	£31,412
No. with reduced/lost discount	0	90	90	90

## **9 FINANCIAL IMPLICATIONS**

- 9.1 Based on current data and trends, Officers estimate that additional revenue of c£250k would have been generated in 2016/17 by removing all discounts and increasing the premium to 50%. Officers are not able to predict the yield moving forward with any certainty as home owner's behaviour may change as a result of paying more Council Tax or other economic factors may affect the housing market i.e. an increase in interest rates. However, the changes proposed could yield just under £250k.
- 9.2 The collection rate for Council Tax is 98.8% in year. A reduction in discounts and an increase in the premium may affect in year collection rates if people object or struggle to pay. This can be mitigated by taking prompt and effective enforcement action or remitting some or all of the debt using discretionary powers detailed in point 6 above.
- 9.3 The Council receives New Homes Bonus funding from central government (NHB) for properties that have been empty for over six months and have been brought back into use. The Government uses a combination of the number of new homes built and the number of empty homes we have to work out how much NHB we receive each year. The more empty homes we have the less funding we receive, the Council would generate c£9k per every empty home were brought back into use.

## **10 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 10.1 The Council has authority to set local discounts for empty homes and a premium for long term empty homes under sections 11 and 12 of the Local Government Finance Act 2012 and The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 (SI 2964/2012).
- 10.2 The Council has authority to reduce the amount of tax payable under section 13A of the Local Government Finance Act 1992.
- 10.3 The Council must make a determination as to the level of discounts and premium before the start of the financial year 2018/19 and publish a notice in a local newspaper. The Council will fulfil this obligation when the Council Tax is set and figures are published in February 2018.
- 10.4 When undertaking a consultation exercise, the Council must give genuine and open consideration to the responses received. Failure to do so may lead to the risk of challenge from affected parties.

## **11 EQUALITY IMPACT ASSESSMENT**

- 11.1 Officers asked for Equality and Diversity monitoring information as part of the consultation process in order to ensure that responses were received from a representative demographic of the County. A summary of the information gathered is included in Appendix A at 5.1.
- 11.2 An Equality Impact Assessment Questionnaire has been completed and there are no adverse impacts identified.

## **12 COMMUNITY SAFETY IMPLICATIONS**

12.1 There are no community safety implications arising from this report.

### **13 HEALTH AND WELLBEING IMPLICATIONS**

13.1 There are no health and wellbeing implications arising from this report.

### **14 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

14.1 The empty home discounts and the premium have not been reviewed since 2013, given the financial pressures that the council is facing and our desire to reduce the number of empty homes in our area, it is recommended that we remove our discounts and increase the premium. The Council has undertaken a consultation and generally people are supportive of this.

### **15 BACKGROUND PAPERS**

15.1 Report 148/2017 Technical Reform of Council Tax Review

### **16 APPENDICES**

16.1 Appendix A Summary of Consultation

A Large Print Version of this Report is available upon request – Contact 01572 722577.