

# DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	FINANCE AND DEMOCRACY COMMITTEE	30 <sup>TH</sup> NOVEMBER 2015	04

## REVIEW OF COUNCIL TAX DISCOUNTS AND PREMIUM 2016/17

### PUBLIC ITEM

This item is for consideration in the public part of the meeting.

#### SUMMARY

With effect from 1st April 2013, the Government introduced legislation allowing local authorities the discretion to determine discounts for both second homes and empty properties. One of the government's main intentions in localising these decisions was to enable authorities to encourage empty homes to be brought back into use. An additional premium can also be charged to the owners of properties left empty for over two years.

In January 2013 the Council considered the subject and introduced a regime of discounts to take effect from 1<sup>st</sup> April 2013. Subsequently at its meeting in January 2014 the Council considered the issue once again and agreed further changes to the regime of Council Tax discounts and introduced a long-term empty property premium charge, effective from 1<sup>st</sup> April 2014, for properties that had remained empty for more than two years.

For 2015/16 the arrangements were again reviewed but no further changes were introduced.

The Committee is requested to consider the suitability of the existing Council Tax discounts regime and the Council Tax Premium and to recommend any changes to these arrangements in respect of 2016/17 for consideration by the Council at the meeting of 14<sup>th</sup> December 2015.

#### RECOMMENDATION

1. The Committee is requested to consider this report and provide recommendations to Council as appropriate with regard to any proposed changes to the current Council Tax discounts and premium regime.

#### CORPORATE PRIORITIES

To Promote the Enhancement of The Natural & Built Environment ( <b>Place</b> )		To Encourage Cohesive Communities ( <b>People</b> )	
To Promote a Thriving Economy ( <b>Prosperity</b> )	√	To Meet Expectations of our Customers ( <b>Performance</b> )	√

## **SUMMARY OF PREVIOUS DECISIONS**

Having previously been considered by Cabinet at its meeting of 16<sup>th</sup> January 2013, Council resolved at its meeting of 28<sup>th</sup> January 2013 that with effect from 1<sup>st</sup> April 2013:

1. In respect of unfurnished vacant dwellings where major repairs or structural alterations are required, underway, or recently completed (previously class A exemptions) to approve a new discount at 100% for a period of up to 12 months;
2. In respect of vacant dwellings which are empty and substantially unfurnished (previously class C exemptions) to approve a new discount at 100% for a period of six months;
3. In respect of long-term empty properties (class C exempt properties after the expiration of the current 6 month exemption period) to approve no discount; and
4. In respect of second homes to approve retention of the existing discount of 10%.

Subsequently, following consideration by Cabinet at its meeting of 15<sup>th</sup> January 2014, Council resolved at its meeting of 27<sup>th</sup> January 2014 that with effect from 1<sup>st</sup> April 2014:

1. In respect of unfurnished vacant dwellings where major repairs or structural alterations are required, underway, or recently completed (previously class A exemptions) to continue to apply the current 100% discount for up to 12 months;
2. In respect of vacant dwellings which are empty and substantially unfurnished (previously class C exemptions) to continue to apply the current discount at 100% for a period of six months;
3. In respect of properties that have remained empty for more than 2 years to introduce a premium and charge 150% of council tax;
4. In respect of Second Homes that the current 10% discount should no longer apply from April 2014; and
5. To approve that the Revenues Shared Service will contact those property-owners who will become liable for the Council Tax premium as a consequence of their property having been unoccupied for in excess of two years to advise them of this decision prior to the dispatch of Council Tax bills.

Having previously been considered by Cabinet at its meeting of 26<sup>th</sup> November 2014, Council resolved at its meeting of 1<sup>st</sup> December 2014 that with effect from 1<sup>st</sup> April 2015:

1. To continue the current Council Tax discounts and premiums regime for 2015/16.

## **REPORT**

### **1 Background**

- 1.1 Section 12 of the Local Government Finance Act (LGFA) 2012 (which amended s.11A of the LGFA 1992) allows billing authorities to have discretionary powers to amend the discounts to council tax applicable for both second homes and long term empty properties. The Act also allows for a premium to be charged in cases where an owner has left a property unoccupied and unfurnished for over two years.

## **2 Current Position and Options from April 2016**

### **2.1 Discount for dwellings undergoing major repairs**

#### **Current Position - 100% Discount for 12 Months**

This is granted in respect of dwellings where the property is unoccupied and unfurnished, which needs or is undergoing major repairs or structural alterations. The maximum period for this discount is 12 months.

#### **Options from April 2016**

The Council can continue to allow a 100% discount for these properties or may set any lower percentage. The discount that is set will apply for a maximum of 12 months and the percentage discount cannot be varied during that time. Following the discount period the Council has previously decided that a full charge should apply.

The Government have suggested that a partial discount rather than a full 100% discount may encourage owners to bring these properties back into use more quickly than would otherwise be the case. However a degree of collection difficulty is inevitable if owners were to face an immediate charge instead of a 12 month 100% discount.

It is not anticipated that any change to the current position would have a material effect upon the number of long-term empty properties.

### **2.2 Discount for properties which are vacant**

#### **Current Position - 100% Discount for up to 6 months**

Dwellings which become empty and unfurnished receive a 100% discount for up to 6 months. If the property remains empty beyond the 6 month period no further discount is given. (Where properties remain empty for a further 18 months a premium of 50% is applied – see below). Short periods of liability of under 6 weeks do not entitle the council tax payer to a further discount under this class if the property is subsequently vacated.

#### **Options from April 2016**

Billing authorities have been given discretion to set an appropriate level of discount of between 0% and 100% and the power to vary the period to which each percentage charge applies. It is commonly accepted that some period of full discount should be given.

It is not anticipated that any change to the current position would have a material effect upon the number of long-term empty properties.

### **2.3 Empty Homes Premium on Properties Remaining Empty for in Excess of 2 Years**

#### **Current Position – 50% premium is currently charged**

Dwellings which have remained empty and unfurnished for over 2 years are charged 150% of the normal Council Tax charge.

#### **Options from April 2016**

This additional charge is discretionary and the Council could determine that the premium should no longer be applied. However the premium provides a strong incentive to owners to

bring the property back into use. For the current year the number of long-term empty properties (empty for more than 6 months) has reduced from 710 in October 2013 to 612 at October 2015 – a reduction of 98 properties (13.8%)

There remains a number of national exemptions in respect of certain classes of empty properties such that the premium does not apply in these cases. Full details are set out in section 3.0 of this report.

A further consideration in support of continuing to apply the premium charge links to the Council's Empty Property Strategy, which aims at reducing the number of empty properties in the borough. After two years of remaining empty, properties may start to deteriorate and impact negatively on neighbourhoods. The return to use of long term empty properties contributes to the New Homes Bonus received by the Council and helps improve current stock and increase overall supply.

Property owners are provided with advance notification that their property is approaching the date when the premium charge will commence – some three to four months prior to that date. This provides an opportunity for property owners to take appropriate action to avoid the premium charge where such a course of action is available to them e.g. the letting of a vacant property.

The current premium charge would appear to be having the intended effect and it could be reasonably implied that any reduction or removal of the charge would have the effect of increasing the number of long-term empty properties.

## **2.4 Second Home Discount**

### **Current Position – No discount**

For Fylde Borough Council there is no discount in respect of these properties.

### **Options from April 2016**

A property is classed as a second home if it is furnished but no-one lives there as their sole or main residence. Council tax legislation allows the billing authority to award a discount on these properties of between 0% and 50%. Fylde Council could re-introduce a second homes discount within this range.

The removal of the Second Home discount has met with very little response amongst property owners who have been affected by this change. There would appear to be no compelling reason to suggest that a reversion to the previous discount position is required.

## **3.0 Continuing Exemptions**

- 3.1 For certain types of properties there are exemptions under current legislation which apply nationally and which therefore exclude properties from the impact of locally determined changes to discounts and premiums. Examples of such exemptions include properties in probate, unoccupied dwellings which were previously the sole or main residence of a person who has moved into a hospital or care home, and unoccupied dwellings where the owner or tenant has moved in order to provide personal care to another person. Appendix A sets out

the exemptions for the various categories of properties which would exclude them from the changes to discounts and the premium charge that is currently under consideration. The exemption in respect of properties in probate runs for a 6 month period following probate, and all other exemptions listed in Appendix A run for an indefinite period whilst the exemption applies.

#### 4.0 Conclusions

- 4.1 Members are requested to consider the regime of Council Tax discounts and the premium charge currently in operation. Members are further invited to make recommendations, as appropriate, for consideration by full Council at the meeting of 14th December 2015.

IMPLICATIONS	
Finance	Detailed financial implications are set out in the body of the report and the Appendices.
Legal	Section 12 of the Local Government Finance Act 2012 (which amended s.11A of the LGFA 1992) allows a billing authority to make a determination that any discount under section 11(2)(a) shall not apply or shall be such percentage (which may be 100%) as it may specify. In practise, this allows billing authorities to set a discount on unoccupied and unfurnished dwellings. Section 12 of the Local Government Finance Act 2012 also inserted a new section 11B into the LGFA 1992 allowing billing authorities, in relation to a dwelling that has been unoccupied and substantially unfurnished for more than two years, to charge up to 150% of the council tax that would be payable if the dwelling were occupied by two adults and no discounts were applicable. A billing authority which makes such a determination is required to publish a notice of it in at least one newspaper circulating in its area and do so before the end of the period of 21 days beginning with the date of the determination. Although, failure to comply with this condition shall not affect the validity of the determination.
Community Safety	None
Human Rights and Equalities	Any changes to the level of discount will be subject to an Equality Analysis.
Sustainability and Environmental Impact	None
Health & Safety and Risk Management	None

<b>LEAD AUTHOR</b>	<b>TEL</b>	<b>DATE</b>	<b>DOC ID</b>
Paul O'Donoghue Chief Financial Officer	01253 658566	November 2015	

<b>LIST OF BACKGROUND PAPERS</b>		
Name of document	Date	Where available for inspection

**Attached documents**

Appendix A – Analysis of property classes which will remain exempt from Council Tax charges

## Council Tax Exemption Categories - November 2015

Note: Locally determined discounts or premia do not apply for the following classes of properties where national exemptions take precedence

Exemption Class	Property Type
B	Unoccupied dwellings owned by a charity (up to six months).
D	A dwelling left unoccupied by people who are in prison.
E	An unoccupied dwelling which was previously the sole or main residence of a person who has moved into a hospital or care home.
F	Dwellings left empty by deceased persons (from notification of death up to six months following probate, after which full liability for council tax applies).
G	An unoccupied dwelling where the occupation is prohibited by law.
H	Unoccupied clergy dwellings.
I	An unoccupied dwelling which was previously the sole or main residence of a person who has moved into another residence to receive personal care (but which is not a hospital or care home).
J	An unoccupied dwelling which was previously the sole or main residence of a person who is the owner or tenant and who has moved in order to provide personal care to another person
K	An unoccupied dwelling where the owner is a student who last lived in the dwelling as their main home.
L	An unoccupied dwelling which has been taken into possession by a mortgage lender.
M	A hall of residence provided predominantly for the accommodation of students.
N	A dwelling which is occupied only by students, the foreign spouses of students, or school and college leavers.
O	Armed forces' accommodation.
P	A dwelling where at least one person who would otherwise be liable has a relevant association with a Visiting Force.
Q	An unoccupied dwelling where the person who would otherwise be liable is a trustee in bankruptcy.
R	Empty caravan pitches and boat moorings.