
COUNCIL TAX EMPTY PROPERTY DISCOUNTS

**Responsible Cabinet Member – Councillor Stephen Harker
Efficiency and Resources Portfolio**

Responsible Director – Paul Wildsmith, Director of Resources

SUMMARY REPORT

Purpose of the Report

1. To seek approval to consult on proposals to change Council Tax discounts for empty dwellings and the introduction of an empty homes premium for long-term empty dwellings.

Summary

2. As part of the Local Government Finance Bill, the government have introduced a number of technical changes to the administration of Council Tax, from April 2013. These include:
 - (a) Giving billing authorities the power to levy up to full Council Tax on second homes
 - (b) Replacing certain empty dwelling exemptions with a discount, the level of which can be set by the billing authority
 - (c) Setting an empty homes premium, which can be charged on properties which have been empty for more than two years
3. For clarity, there are no changes being proposed for other empty dwelling exemptions, for example where the liable person goes into hospital or nursing care.
4. The report recommends the following changes :-

	Current Discount	Proposed Change	Additional Income £
Empty dwellings undergoing major repairs	100% for 12 months	100% for 3 months	112,000
Empty unfurnished dwellings	100% for 6 months	100% for 1 month	552,000
Second Home discount	10%	0%	23,000
Empty Homes Premium	NIL	+ 50%	125,000

5. It is estimated that the above would produce a net additional income of £607,000 per annum as per option 1 in **Appendix 1**.

Recommendation

6. It is recommended that Cabinet approve the proposed changes in paragraph 4 (Option 1 in the Appendix) to move forward for consultation.

Reasons

7. The recommendation is supported by the following reason :-

- (a) The Council is required to set the level of discounts for empty dwellings and consider the introduction of an empty homes premium from April 2013;
- (b) A public consultation is required on the proposals, prior to a decision being made.
- (c) Option 1 best fits the guiding principles set out in the report.

**Paul Wildsmith
Director of Resources**

Background Papers

Local Government Finance Bill 2012

Paul Wildsmith/Anthony Sandys : Extension 2302/2512
TAB

S17 Crime and Disorder	There are no issues
Health and Well Being	There are no issues
Carbon Impact	There are no carbon impact implications in this report
Diversity	There are no issues
Wards Affected	All wards are affected, but in particular those with higher numbers of empty dwellings
Groups Affected	Owners of empty dwellings would be directly affected by these properties, including social and private landlords who may experience void periods in some of their properties
Budget and Policy Framework	The issues contained within this report do not represent change to Council budget or the Council's policy framework.
Key Decision	This is a key decision
Urgent Decision	For the purpose of the 'Call-in' procedure this does not represent an urgent decision.
One Darlington: Perfectly Placed	This report has implications for the 'Prosperous Darlington' theme of the Sustainable Community Strategy.
Efficiency	The reforms to Council Tax charges for empty dwellings have the potential to generate additional revenue for the Council.

MAIN REPORT

Information and Analysis

8. At Cabinet on 11 September, Cabinet agreed a Council Tax Support (CTS) scheme for consultation. The proposed scheme would increase net Council expenditure by approximately £700k in 2013/14 and potentially a greater amount in future years depending on the number of claimants. In agreeing the proposed scheme, Cabinet requested a report on Council Tax exemptions to allow consideration of the new flexibility offered by recent changes in legislation, the original report highlighted that the changes offered the Council the potential to raise additional income of up to £680k per annum which could offset the deficit arising from the proposed CTS scheme. This report is presented to allow Cabinet to consider Council Tax exemptions.

Information and Analysis

9. In considering the options now available to the Council the following guiding principles have been used in developing the preferred option for consultation.
- (a) Maximisation of opportunities to raise Council Tax to offset the loss of revenue from the proposed Council Tax support scheme.

- (b) Proposals further encourage homeowners to bring their properties back into use to reduce housing shortages.
 - (c) Streamlining discounts and how they operate to reduce the cost of collection.
 - (d) Limit the impact of changes on landlords to avoid increased costs being passed to tenants.
10. Set out below is a description of each discount explaining the current position, the options available and the proposed changes for consultation.

Second Home Discount

11. A second home is defined as a dwelling which is unoccupied (nobody has their sole or main residence in the dwelling), but which is furnished. This may include a dwelling used as a holiday home or a furnished dwelling, which the owner intends to let or sell.
12. Currently a discount of between 10% and 50% can be applied to the Council Tax of empty dwellings that are furnished second homes, for an indefinite period. From April 2013, the Local Government Finance Bill allows billing authorities to levy up to full Council Tax on second homes.
13. In Darlington, the discount that applies to second homes is the minimum 10%, which in 2011/2012 equated to £23k. This could represent potential extra income to the Council if a 0% discount were applied in future (provided this extra amount is collected).
14. Given the guiding principles above and the Council's previous approach to allow a minimum discount it is proposed that a 0% discount is applied from 1 April 2013.

Class A exemptions (empty dwellings undergoing major repair)

15. A Class A exemption is currently available for an empty property which requires, is undergoing or has recently undergone major repair work to render it habitable. The exemption is currently 100% for 12 months; after that the property is classed as a long term empty property and in Darlington that means a 0% discount. In 2011/12 there were 324 Class A exemptions awarded at a cost of £164k.
16. From 1 April 2013 Councils have full discretion on the level and period of discount available, the current 12 months discount is generous and given the guiding principles a three month 100% discount is proposed.

Class C exemptions (Empty Properties)

17. Currently a 100% discount is available for six months and after that period the property is classed as a long term empty property and receives no discount. Councils have full flexibility from 1 April 2013. In 2011/12 there were 5,194 properties with Class C exemptions at a cost of £837k.

18. This discount is the most frequently applied, the most costly and the most difficult to verify. Using the guiding principles this exemption has the greatest opportunity to raise revenue, will have the greatest potential to encourage owners to bring properties back into use and if removed altogether has a significant impact on the cost of collection as verifications procedures could be removed. However, a full removal of the discount could significantly impact on landlords dealing with turnover in tenants and for this reason it is proposed that a 100% discount is awarded for one month for Class C exemptions to allow landlords some time to re-let properties.

Empty Homes Premium

19. The Local Government Finance Bill allows billing authorities to levy an 'empty homes premium' on the Council Tax payable for unfurnished dwellings left empty for 2 years or more, and the maximum premium billing authorities will be able to levy will be 50%. The Government will introduce the necessary primary legislation to implement the empty homes premium, and this has been included in the Local Government Finance Bill.
20. There are currently 174 unfurnished properties that have been empty for two years or more (26 for more than 8 years). The introduction of a 50% premium is proposed for such properties with the aim being to encourage owners to bring these properties back in to use (in which case there would be no additional income). If not, the proposal would raise an additional £125k p.a.

Alternative Options

21. Set out in the previous paragraphs is a preferred option for consultation however set out in Appendix 1 are other options for consideration by Members, clearly there are an infinite number of options that could be considered. Option 1 is the proposed option as set out in the previous paragraphs.

Financial Implications

22. If agreed Option 1 produces an estimated additional income of up to £607k each financial year. Clearly the make-up of discounts awarded will vary year on year. However the changes proposed in Option 1 will continue to deliver financial benefits in the region of £607k.

Consultation and impact assessments

23. It is likely that these proposals will impact on the following groups:
- (a) Private and social landlords who experience void periods on their properties
 - (b) Property owners experiencing difficulties in selling properties
 - (c) Second home owners and owners of holiday lets
 - (d) Property developers
24. It is unlikely therefore that these proposals will impact on the majority of Darlington residents including owner occupiers and private and social tenants.

25. A public consultation exercise will then be undertaken, including the options for how Council Tax charges for empty dwellings should be levied in the future. Consultation will then be undertaken in the following ways:
- (a) Details on the Darlington Borough Council website including an on-line survey
 - (b) Meetings with advice and support agencies
 - (c) Writing to the owners of empty properties, second home owners and property developers who would potentially be affected by the proposals
 - (d) Writing to the Police and Fire authorities
 - (e) Meetings with private and social landlords and their representative groups.
26. Full equalities impact assessments will be undertaken as part of the public consultation exercise. Details of the outcome of consultation will then be presented to members in the January 2013 Cabinet meeting.

Conclusion

27. Based on the information received so far (and assuming legislation will be passed this year), these changes could generate additional net income for Darlington of up to £859k per year. This will impact on people with empty properties who, at the moment, are exempt for Council Tax for the first 6 months (or the first 12 months for empty dwellings undergoing major repair). Examples of how this potential income could be generated are given at Appendix 1. However, if adopted, these options provide the Council with an opportunity to recover and mitigate against lost income if a decision was made whereby some or all of the reduction in Government grant in relation to the replacement for Council Tax Benefit (Council Tax Support) is not passed onto benefit recipients. At the same time many of the changes identified in this report will be beneficial in terms of tackling empty homes and bringing them back into use.

Council Tax empty property discountsCurrent expenditure (based on 2011/2012)

Type of discount / exemption	Expenditure (£,000)
Second homes discount – empty furnished dwellings (10% discount)	£23
Class A empty unfurnished dwellings undergoing major repair (100% exemption for 12 months)	£164
Class C empty unfurnished dwellings (100% exemption for 6 months)	£837
Total expenditure	£1,024

Option 1

- 0% discount on second homes
- 100% discount on empty properties undergoing major repair for a maximum period of 3 months (old class A exemptions)
- 100% discount on all other empty properties for a maximum period of one month (old class C exemptions)
- 50% premium on all properties empty for more than 2 years

Potential savings

	Amount (£,000)
Second homes discount – empty furnished dwellings	£23
Class A empty unfurnished dwellings undergoing major repair	£112
Class C empty unfurnished dwellings	£552
Empty homes premium	£125
Total gross savings	£812
Savings for the Council (assume 83% excluding major preceptors)	£674
Less 10% uncollected (assume a 90% collection rate)	£67
Amount of potential extra income for the Council	£607

Option 2

- 0% discount on second homes
- 0% discount on empty properties undergoing major repair (old class A exemptions)
- 0% discount on all other empty properties (old class C exemptions)
- 50% premium on all properties empty for more than 2 years

Potential savings

	Amount (£,000)
Second homes discount – empty furnished dwellings	£23
Class A empty unfurnished dwellings undergoing major repair	£164
Class C empty unfurnished dwellings	£837
Empty homes premium	£125
Total gross savings	£1,149
Savings for the Council (assume 83% excluding major preceptors)	£954
Less 10% uncollected (assume a 90% collection rate)	£95
Amount of potential extra income for the Council	£859

Option 3

- 0% discount on second homes
- 100% discount on empty properties undergoing major repair for a maximum period of 6 months (old class A exemptions)
- 100% discount on all other empty properties for a maximum period of 3 months (old class C exemptions)
- 50% premium on all properties empty for more than 2 years

Potential savings

	Amount (£,000)
Second homes discount – empty furnished dwellings	£23
Class A empty unfurnished dwellings undergoing major repair	£63
Class C empty unfurnished dwellings	£225
Empty homes premium	£125
Total gross savings	£436
Savings for the Council (assume 83% excluding major preceptors)	£362
Less 10% uncollected (assume a 90% collection rate)	£36
Amount of potential extra income for the Council	£326