

COUNCIL TAX DISCRETIONARY DISCOUNTS AND EMPTY HOME PREMIUM 2016/17

1. INTRODUCTION

- 1.1 Members will recall that the national scheme for Council Tax Benefit (which provided financial help for those on low income) was abolished on 31 March 2013. Instead, the Council made a local Council Tax Reduction Scheme for those of working age on low income in its area, effective from 1 April 2013.
- 1.2 In conjunction with the introduction of a localised reduction scheme, local authorities were given increased discretionary powers to determine the level of certain council tax discounts and the imposition of a council tax premium for dwellings which have remained unoccupied and substantially unfurnished for more than 2 years.
- 1.3 This report recommends that no further changes be made to Council Tax Discounts or to the decision not to introduce an empty homes premium.

2. REVIEW PROCESS

- 2.1 A Task & Finish Group met to review the effectiveness of the changes introduced in 2013/14 and to recommend any changes effective from 1 April 2016.
- 2.2 The recommendations of the Task & Finish Group are to be considered by the Corporate Overview Panel in November 2015 and Cabinet and Council in December 2015.

MATTERS CONSIDERED BY TASK & FINISH GROUP

3. DWELLINGS WHICH ARE UNOCCUPIED AND SUBSTANTIALLY UNFURNISHED

- 3.1 Prior to 1 April 2013, a full exemption was allowed (and therefore no council tax was payable) for the first 6 months from the date the dwelling first became unoccupied and substantially unfurnished. After the 6 months, no discount applied and thus a full council tax was payable.
- 3.2 The discretionary powers introduced from April 2013, gave authorities the ability to determine the level of discount for the first 6 months.
- 3.3 The Task & Finish Group meeting in October/November 2012 recommended that the discount for 'void properties' be changed to 100% discount for one month and then no discount thereafter. This recommendation was agreed by the Corporate Overview and Scrutiny Panel, Cabinet and Full Council.
- 3.4 The current Task & Finish Group were of the view that it was appropriate to allow a discount for a short period and to retain the current policy. Members felt this struck the right balance between encouraging owners to make their properties available as soon as possible, whilst minimising the possibility of

some residents, particularly those renting and on low incomes, being liable to pay council tax on 2 properties.

4. DWELLINGS WHICH ARE UNOCCUPIED AND SUBSTANTIALLY UNFURNISHED WHERE MAJOR REPAIR WORKS OR STRUCTURAL ALTERATIONS ARE REQUIRED, UNDER WAY OR RECENTLY COMPLETED

- 4.1 Prior to 1 April 2013, a full exemption was allowed (and therefore no council tax was payable) for the first 12 months from the date the dwelling first became unoccupied and substantially unfurnished and was undergoing or required major repair works/structural alterations. After the 12 months, no discount applied and thus a full council tax was payable.
- 4.2 The discretionary powers introduced from April 2013, gave authorities the ability to determine the level of discount for the first 12 months.
- 4.3 The Task & Finish Group meeting in October/November 2012 recommended that the discount for these properties be changed to 50% discount for 12 month and then no discount thereafter. This recommendation was agreed by the Corporate Overview and Scrutiny Panel, Cabinet and Full Council.
- 4.4 The current Task & Finish Group were of the view that it was appropriate to allow a discount for up to 12 months and to retain the current policy. Members noted that to be eligible for a discount, the property would be in a substantial state of disrepair and often, owners of such properties would be in detailed discussion with other Council departments and/or the NPA to agree what works could be undertaken and the timetable of such works to bring the property back into use.

5. EMPTY HOMES PREMIUM

- 5.1 The legislation introduced from April 2013 allows billing authorities to levy an empty homes premium on the council tax payable in respect of dwellings that have been left vacant (unoccupied and substantially unfurnished) for 2 years or more.
- 5.2 The premium is up to 50% of the full council tax charge and thus a homeowner could be charged 150% of the council tax liability in respect of their vacant dwelling.
- 5.3 Dwellings which are unoccupied and furnished (sometimes known as second homes or holiday homes) are not subject to a premium.
- 5.4 In addition, the Government has legislated to exclude 2 classes of vacant dwellings from the empty homes premium. This is where a dwelling would otherwise be the sole or main residence of a member of the armed forces, who is absent from the property as a consequence of such service and a dwelling which is an annexe to another property.
- 5.5 The Task & Finish Group meeting in the latter part of 2012 recommended the introduction of a 50% premium in these circumstances. However, this recommendation was not supported by Cabinet and Full Council and the empty homes premium was not implemented from 1st April 2013.

- 5.6 As at the end of August, there were 135 properties that had been vacant for more than 2 years and thus would be affected by the introduction of the empty homes premium.
- 5.7 From previous enquiries made by the Service into why a dwelling had been vacant for more than 2 years, the most common reasons were; required or were undergoing major repairs (previously subject to a 50% discount for 12 months), or the property was for sale or for let.
- 5.8 In considering this proposal, Members felt that this might be a successful policy in city centres and towns, in order to bring properties into use, but locally would have a limited effect. Whilst supporting the principle of bringing homes into use, Members felt that applying an additional premium would not achieve this objective. It was also noted that a homeowner could avoid the premium by furnishing the property.
- 5.9 Accordingly, the Task & Finish Group recommended retaining the existing policy not to implement the empty homes premium.

6. FINANCIAL IMPLICATIONS

- 6.1 The total value of the discount awarded during 2014/15 for up to 1 month from the date a property first became unoccupied and substantially unfurnished was £370,000.
- 6.2 The total value of the discount awarded during 2014/15 for up to 12 months from the date a property first became unoccupied and substantially unfurnished where major repair works or structural alterations are required, under way or recently completed, was £215,000.
- 6.3 Based on the current number of properties which have been vacant for more than 2 years, charging an empty homes premium may yield approximately £100,000 per annum. However, some vacant properties may fall into one of the exempt categories and in addition; some homeowners may seek to furnish the property thus avoiding the premium as per 5.3 above.
- 6.4 New Forest District Council retains approximately 11% of the total council tax collected.

7. PORTFOLIO HOLDER COMMENTS

- 7.1 Given the financial climate that we live in it is more important than ever that we are fair to all our residents. I believe that the proposals outlined in this report maintain that all important balance.

8. CORPORATE OVERVIEW AND SCRUTINY PANEL'S COMMENTS

- 8.1 The Panel supported the Task and Finish Working Group's recommendation that there should be no change to the current scheme.

9. RECOMMENDED:

- 9.1 That no changes be made to the discounts for properties which are unoccupied and substantially unfurnished where major repair works or structural alterations are required, under way or recently completed;
- 9.2 That no changes be made to the discounts for properties that are unoccupied and substantially unfurnished; and
- 9.3 That the empty homes premium is not introduced.

Background Information:

Minutes of Task & Finish Group

Further Information:

Members of Task & Finish Group: Cllrs Michael Harris (Chair), Mark Steele, Derek Tipp and Jeremy Heron

Portfolio Holder: Cllr Jeremy Heron

Lead Officers:

Glynne Miles the head of service
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