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|---------------------------------------|---|--------------------------|--|
| <b>Subject:</b>                       | Council Tax Local Discounts   | <b>Status:</b>           | For Publication  |
| <b>Report to:</b>                     | Cabinet   | <b>Date:</b>             | 27 <sup>th</sup> November 2013   |
| <b>Report of:</b>                     | Head of Finance   | <b>Portfolio Holder:</b> | Finance and Resources  |
| <b>Key Decision:</b>                  | <input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>   | <b>General Exception</b> | <input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/> |
| <b>Community Impact Assessment:</b>   | Required:   | No                       | Attached: No   |
| <b>Biodiversity Impact Assessment</b> | Required:   | No                       | Attached: No   |
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| 1.                                    | <b>RECOMMENDATION(S)</b>  |                          |  |
| 1.1                                   | The Members agree to a period of consultation regarding Council Tax discounts and premiums in relation to empty properties and second homes for the period commencing 1 <sup>st</sup> April 2014. |                          |  |

## 2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to consider the options available to Council in relation to increasing Council Tax from second homes and empty properties.
- 2.2 The Government has introduced legislation providing Council's with greater flexibility on the amount of Council Tax discount given to empty properties and second homes. This came into effect on 1 April 2013.  
Appendix A provides a summary of Rossendale's current arrangements and the options now available to the Council.  
A full list of other existing exemptions is detailed in Appendix B.
- 2.3 The following Options are available for consideration:
- i. Vacant dwellings due to structural repairs: reducing the current discount rate of 100% up to twelve months for properties where major repairs or structural alterations are required, underway, or recently completed (previously Class A exemption);
  - ii. Unfurnished vacant dwellings: reducing the current 100% six months exemption for empty homes (previously Class C exemption);
  - iii. Second Homes: reducing the current 10% full year discount;
  - iv. Levying a premium of up to an additional 50% of Council Tax due on properties that have been empty and unfurnished for at least two years, subject to any statutory exceptions.

## 3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **A Clean and Green Rossendale** – creating a better environment for all, this priority focuses on clean streets and well managed open spaces.
  - **A Healthy and Successful Rossendale** – supporting vibrant communities and a strong economy, this priority focuses on health inequality, building resilient communities and supporting businesses.
  - **Responsive and value for money local services** – responding to and meeting the different needs of customers and improving the cost effectiveness of services.

Increasing financial resources enable the Council to maximize the outcomes of the above together with stimulating the effective use of residential property within the Borough.

#### 4. RISK ASSESSMENT IMPLICATIONS

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- The previous budget-setting exercise for 2013/14 and beyond has identified a further reduction in resources over the medium term producing a future in year deficit now totalling up to £1.7m. Members, collectively, continue to face some difficult choices in order to balance expenditure with available resources over the medium term.

#### 5. BACKGROUND AND OPTIONS

##### 5.1 Vacant & Empty properties

The new discretionary powers focus on the following categories in relation to empty properties:

- Class A – vacant dwellings where major repair works or structural alterations are required, under way or recently completed. Current discount rate of 100% for up to twelve months (NB – The discount must be available for 12 months).
- Class C – an empty property that is substantially unfurnished. Current discount rate of 100% up to six months.

In relation to Class “A” and Class “C” categories of dwelling, the legislation provides billing authorities with the discretionary power to charge between 0% and 100% from the date the property becomes empty.

##### 5.2 Second Homes.

A property is classed as a second home if it is furnished but no one individual lives there as their sole or main residence. The legislation now allows a discount range from 0% to 50%, thereby allowing authorities to charge 100% Council Tax on second homes should they choose to do so. Rossendale Borough Council currently awards a discount of 10% in these cases.

##### 5.3 Empty Homes

Billing authorities currently have discretion to provide a discount of up to 50% on empty properties that are not exempt under another class. These are classed as long-term empty properties (ie over 6 months empty). However, Council; has previously exercised its discretion to charge the full amount of Council Tax (i.e. 100%) on such properties and therefore the 50% discount does not apply.

The new legislation now also allows authorities to charge an additional premium of up to 50%, above the Council Tax charge, on properties that have been empty and unfurnished for a continuous period of at least two years.

##### 5.4 Matters for consideration

For Class “A” dwellings it is appropriate that the Council should provide a reasonable but not excessive exemption period to promote property development.

For Class “C” dwellings it is appropriate that the Council should provide an initial exemption period to allow for the changeover of occupiers, particularly for landlord / tenant relations and inheritance / bereavement situations. This discount should be set so as to encourage properties to be brought back into occupancy in as shorter timescale as is possible.

For Second Homes it is appropriate that owners should contribute towards Council services and other preceptor facilities.

For long term empty homes that have been empty for at least two years it is appropriate that Members should consider a levy premium. This initiative should encourage owners to return properties back into use, whilst providing additional income to the Council and other preceptors.

## 5.5 Other Lancashire Districts

Appendix C summarise the current position across the 14 Lancashire billing authorities  
For “Class A” type discounts – 9 authorities have chosen to retain a discount for 12 months but have reduced the rate down from 100% - the majority now setting a 50% discount.  
For “Class C” – the same 9 authorities have chosen a combination of reduced discount % rates and/or reduced time periods - the majority now setting a 50% discount over 6 months  
For Empty homes – the majority of authorities now follow Rossendale’s 0% discount  
For the Empty Homes Premium – 7 authorities have introduced a premium with all but 1 opting for the maximum 50%

## 5.6 Options to be consulted on

### 5.6.1 Lancashire Average

“Class A” type discounts – 50% discount over 12 months (from the current 100% over 12 months)

“Class C” type discounts – 50% discount over 6 months (from current 100% over 6 months)  
Empty Homes Premium –50% (on properties empty for in excess of 2 years)

### 5.6.2 Other Ranges (of than the above)

“Class A” type discounts – 0% to 100% over 12 months (from the current 100% over 12 months)

“Class C” type discounts – 0% to 100% discount over a specific or different period (from the current 100% over 6 months)

Empty Homes Premium – 0% to 50%

## 6. SECTION 151 OFFICER

### 6.1 Financial implications are noted in Appendix D

The potential value for all precepts in Rossendale range from:

- “Class A” £28k (allowing 50% discount) up to £56k (allowing 0% discount)
- “Class C” £98k (allowing 50% discount) up to £197k (allowing 0% discount)
- Second homes £17k reducing the current 10% discount to 0%
- Empty properties (2 years) the maximum premium of 50% being £78k

The above assumes a 50% non-collection/bad debt and assumes that the discount is given for the maximum period.

The share of any additional revenue raised is shared with other preceptors in the first instance in the follow ratios:

- 16% - Rossendale Borough Council
- 70% - Lancashire County Council
- 4% - Fire
- 10% - Police

Assuming a rate as per para’ 5.6.1 and 50% non-collection this would raise £36k from the Councils 16% Council Tax share.

### 6.2 Success in encouraging long term properties (ie in excess of 2 years) back into use will mean that the initial revenue raised will decline in future years.

## **7. MONITORING OFFICER**

7.1 For reference, the regulations relating to the Council Tax technical reforms are contained within the Local Government Finance Act 2012:

- The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 removed exemption classes A & C from the Council Tax (Exempt Dwellings) Order 1992
- The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 amended the regulations to insert the new discounts

## **8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT**

8.1 Unless specifically commented upon within the report, there are no policy implications for consideration.

8.2 As part of the Summer 2013 review of empty properties, all properties classified as empty were written to and forewarned that the Portfolio Holder was considering reviewing the charging policy for long term empties.

Further consultation will commence including:

- Other preceptor partners
- Owners of long term empty properties (over 2 years) and second homes
- Publicity via Council website

## **9. CONCLUSION**

9.1 Council should consider its Council Tax discounts in light of its Medium Term Financial Strategy and its desire to see vibrant communities and a strong local economy.

**TECHNICAL REFORMS TO COUNCIL TAX  
(Effective from 1 April 2013)**

The key features are detailed below:

| <b>Measures to be considered</b>   | <b>RBC's current arrangements</b>   | <b>New Options available</b>   |
|--|---|--|
| 1 Removing or reducing the Council Tax discount on empty properties in need of or awaiting major repair or structural alteration | Previously referred to as Class A – up to 12 months 100% discount while the qualifying conditions exist | Allows Councils to grant a discount between 0% and 100% for 12 months  |
| 2 Removing or reducing the Council Tax discount for properties from the date the property becomes continually empty              | Previously referred to as Class C - 100% discount for first 6 months when continuously empty            | Allows Councils to give a discount between 0% and 100% from when the property became empty.                    |
| 3 Reducing or removing the Council Tax discount for furnished properties not occupied as a main home (ie. Second homes)          | 10% discount while furnished properties are not occupied as a main home                                 | Allows Councils to reduce the discount to 0%   |
| 4 Charging an 'empty homes premium' of 50% on properties left empty for more than 2 years  | 0% discount after 6 months and continuing while the property remains empty                              | Allow Councils to levy an 'empty homes premium' of up to 50% on properties left empty for longer than 2 years. |

## Current exemptions from Council Tax

|          |   |
|----------|---|
| <b>A</b> | Vacant dwellings where major repair works or structural alterations are required, under way or recently completed (up to twelve months).<br><b>Exemption class A has been replaced by a discount up to 100% which may be awarded for a period of up to 12 months. The criteria for awarding this type of discount have not changed.</b> |
| <b>B</b> | Unoccupied dwellings owned by a charity (up to 6 months)  |
| <b>C</b> | A vacant dwelling (i.e. empty and substantially unfurnished) (up to six months).<br><b>Exemption class C has been replaced by a discount up to 100% which may be awarded for a period of up to 6 months. The criteria for awarding this type of discount have not changed.</b>  |
| <b>D</b> | A dwelling left unoccupied by people who are in prison.   |
| <b>E</b> | An unoccupied dwelling which was previously the sole or main residence of a person who has moved into a hospital or care home.  |
| <b>F</b> | Dwellings left empty by deceased persons (6 months from date of probate).   |
| <b>G</b> | An unoccupied dwelling where the occupation is prohibited by law.   |
| <b>H</b> | Unoccupied clergy dwellings.  |
| <b>I</b> | An unoccupied dwelling which was previously the sole or main residence of a person who is the owner or tenant and who has moved to receive personal care.   |
| <b>J</b> | 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.  |
| <b>K</b> | An unoccupied dwelling where the owner is a student who last lived in the dwelling as their main home.  |
| <b>L</b> | An unoccupied dwelling which has been taken into possession by a mortgage lender.   |
| <b>M</b> | A hall of residence provided predominately for the accommodation of students.   |
| <b>N</b> | A dwelling which is occupied only by students, the foreign spouses of students or school and college leavers  |
| <b>O</b> | Armed forces' accommodation   |
| <b>P</b> | A dwelling where at least one person who would otherwise be liable has a relevant association with a Visiting Force.  |
| <b>Q</b> | An unoccupied dwelling where the person who would otherwise be liable is a trustee in a bankruptcy.   |
| <b>R</b> | Empty caravan pitches and boat mooring.   |
| <b>S</b> | A dwelling occupied only by a person, or persons, aged under 18.  |
| <b>T</b> | A dwelling which forms part of a single property which includes another dwelling and may not be let separately from that dwelling, without a breach of planning control.  |
| <b>U</b> | A dwelling occupied only by a person, or persons, who is or are severely mentally impaired who would otherwise be liable to pay the council tax or only by one or more severely mentally impaired person.   |
| <b>V</b> | A dwelling in which at least one person who would otherwise be liable is a diplomat.  |
| <b>W</b> | A dwelling which forms part of a single property, including at least one or other dwelling, and which is the sole or main residence of a dependent relative of a person who is resident in the other dwelling (granny annexe)   |

Current Position across Lancashire

| Authority     | Previous Class A  | Previous Class C              | Long Term Empty | Second Homes    | Premium (2 Years +) |
|---------------|-------------------|-------------------------------|-----------------|-----------------|---------------------|
| Blackburn     | No change         | No change                     | 0% (from 50%)   | 0% (from 50%)   | 50% (150%)          |
| Blackpool     | 50% (12 months)   | 100% (3 months) 0% (3 months) | No change (0%)  | 0% (from 10%)   | n/a                 |
| Burnley       | 50% (12 months)   | 50% (6 months)                | 0% (from 50%)   | 0% (from 50%)   | 50% (150%)          |
| Chorley       | 50% (12 months)   | 50% (6 months)                | 25% (from 50%)  | 0% (from 50%)   | 50% (125%)          |
| Fylde         | No change         | No change                     | 0% (from 50%)   | No change (10%) | n/a                 |
| Hyndburn      | 50% (12 months)   | 50% (6 months)                | 0% (from 50%)   | 0% (from 50%)   | 50% (150%)          |
| Lancaster     | 50% (12 months)   | 100% (2 months) 50%(4 months) | 0% (from 50%)   | 0% (from 10%)   | 50% (150%)          |
| Pendle        | 37.5% (12 months) | 50% (6 months)                | 0% (from 50%)   | 0% (from 10%)   | n/a                 |
| Preston       | 50% (12 months)   | 100% (2 months) 50%(4 months) | 0% (from 50%)   | 0% (from 10%)   | 50% (150%)          |
| Ribble Valley | No change         | No change                     | No change (50%) | No change (10%) | n/a                 |
| Rosendale     | No change         | No change                     | No change (0%)  | No change (10%) | n/a                 |
| South Ribble  | No change         | No change                     | No change (50%) | No change (10%) | n/a                 |
| West Lancs    | 50% (12 months)   | 50% (6 months)                | 0% (from 50%)   | 0% (from 10%)   | 50% (150%)          |
| Wyre          | 50% (12 months)   | 100% (1 month) 50% (5 months) | 25% (from 50%)  | No change (10%) | n/a                 |

**Previous Class A**      *No change equates to 100% for 6 months*  
**Previous Class C**      *No change equates to 100% for 12 months*

## Potential revenue range

|                          | Band D<br>Estimated<br>No. of<br>Properties | Additional Income  |                    |
|--------------------------|---|--------------------|--------------------|
|                          |   | Discount<br>option | Discount<br>option |
| Discount Rate            |   | 50%                | 0%                 |
| <b>Class A</b>           | 72  | 55,912             | 111,824            |
| less Bad Debt Allowance  | 50%   | 27,956             | 55,912             |
| <b>Net Gain</b>          |   | <b>27,956</b>      | <b>55,912</b>      |
| RBC share                |   | 4,557              | 9,114              |
| LCC share                |   | 19,541             | 39,082             |
| <b>Class C</b>           | 508   | 197,245            | 394,490            |
| less Bad Debt Allowance  | 50%   | 98,622             | 197,245            |
| <b>Net Gain</b>          |   | <b>98,622</b>      | <b>197,245</b>     |
| RBC share                |   | 16,075             | 32,151             |
| LCC share                |   | 68,937             | 137,874            |
| <b>Second Homes</b>      | 108   | N/A                | <b>16,774</b>      |
| RBC share                |   | -                  | 2,734              |
| LCC share                |   | -                  | 11,725             |
|                          |   |                    | <b>Premium</b>     |
| Premium %                |   |                    | 50%                |
| <b>Long Term Empties</b> | 198   |                    | 153,582            |
| less Bad Debt Allowance  | 50%   |                    | 76,791             |
| <b>Net Gain</b>          |   |                    | <b>76,791</b>      |
| RBC share                |   |                    | 12,517             |
| LCC share                |   |                    | 53,677             |

*NB – The above assumes that current discount are taken for the maximum period (Class A being 12 months and Class C being 6 months. Capita are currently undertaking a review of average discount periods. If the average time period is below the above assumptions, this will reduce the above additional income on a pro-rata basis.*