

**Review of Council Tax Charging Policy for  
Empty Homes  
31 January 2018**

**Report of Chief Officer (Resources)**

**PURPOSE OF REPORT**

To present options for reducing various council tax discounts applicable to empty homes, in line with the discretions available to local authorities.

**This report is public.**

**RECOMMENDATIONS:**

- (1) That Council determines whether to retain its existing Empty Homes Council Tax Charging Policy for 2018/19 (Option 1), or to amend it for:**
  - the reduction or removal of the discount for Class C empty properties, from the three options (2A, 2B or 2C) as set out in the report; and/or
  - the removal of the discount for Class D empty properties (Option 3) as also set out.
- (2) That the Chief Officer (Resources) be authorised to finalise the Council's Empty Homes Charging Policy in line with (1) above, and make all other necessary arrangements for its implementation in the next financial year.**

**1 INTRODUCTION**

- 1.1 Back in December 2012 Council approved various reductions to council tax exemptions and discounts on empty properties. These changes were in line with the discretionary powers granted to local authorities under the Local Government Finance Act 2012. The changes resulted in more council tax income being generated.
- 1.2 During the last budget, a commitment was made to review existing discounts and this report includes the outcome of that review, and options for future changes.

## 2 CURRENT POLICY

2.1 To assist Council, the current policy for council tax charging on empty homes is set out at **Appendix A**.

2.2 Under current legislation Council has scope to reduce further or to remove the following two types of discounts:

- **Class C - Empty and substantially unfurnished properties:**

Current maximum discount available: 100% discount for the first two months, followed by a discount of 50% for the next four consecutive months.

- **Class D - Empty properties undergoing or in need of major repair or structural alteration:**

Current maximum discount available: 50% discount for twelve months.

2.3 Any changes to the discounts must be approved prior to the beginning of the financial year in question; they cannot be changed in-year.

2.4 All other discounts and exemptions are either determined by Government, or the Council has already reduced them as far as its discretionary powers allow. For example, exempt status continues to apply in many circumstances, e.g. to those properties left empty by patients in hospital, deceased persons, or those receiving or providing care etc. No additional charges can be levied on a property that is exempt.

2.5 **Appendix B** provides details of the total value of discounts awarded for properties under Class C and Class D properties for years 2013 to 2016, and the number of properties receiving those discounts (for any period, however short, during the year).

2.6 Whilst there are no obvious trends apparent regarding the impact of charging on bringing homes back into use, it is apparent that a significant amount of council tax income is still foregone as a result of the policy. In very broad terms, an average of over £1M per year is foregone as a result of Class C discounts, and an average of £80K foregone through Class D.

2.7 Given this, and the Council's financial challenges ahead, it is appropriate that Council considers whether existing discounts should be reduced or removed and options are set out in the following section. It is not thought that there is a case for increasing discounts.

2.8 Separately, Members will see from the policy attached that the Council has used its discretionary powers to charge a council tax premium of 50% on long term empty property; this was also approved back in 2012. As part of the Chancellor's Autumn Budget, it was announced that the discretion would be extended to allow a premium rate of 100% to be introduced from next year onwards. Options regarding this were to be included in this report but primary legislation would be needed to bring the announcement into force and as parliamentary time is limited, it is now expected that any extended discretion could only come into force for 2019/20 at the earliest. The position will be kept under review and a

report will be prepared for Council at the appropriate time, once the legislative framework is clearer.

### 3 **OPTIONS AND OPTIONS ANALYSIS**

3.1 There are a number of options available for consideration:

#### **Option 1: Retain the existing policy (and leave discounts unchanged)**

- The system works reasonably well at present and provides incentives to promote the improvement of empty property and bring empty homes back into use.
- The existing policy could be made simpler, however, to help from an administrative point of view, and retaining the existing policy may be perceived as a lost opportunity to raise additional revenue for the Council and its precepting authorities.

#### **Option 2: Reduce or Remove Class C Empty Property Discounts**

- There are numerous ways in which this discount could be amended, and the three most obvious/appropriate options are set out below.

##### **A. Remove the six-month discount arrangement**

This would provide the greatest incentive for encouraging homes to be occupied quickly and the greatest financial benefits for local authorities to help fund public services. It would create some administrative difficulties, however, where there are disputes or anomalies in the transfer date of property from one owner or occupier to another. As with any increase in tax liability, some resistance should be expected and this could impact slightly on collection rates and bad debts.

Taking a broad average of the last 4 years' data, this change would generate income in the region of at least £1M for the Council and its precepting authorities in the area. Of this, an estimated £130K would be retained by the City Council. These estimates make some allowance for collection and recovery difficulties, and they would need to be monitored. There would be an additional burden on Council Housing currently estimated at approximately £60K, to cover its housing stock. This cost would reduce, should void periods between re-lets reduce.

##### **B. Reduce the existing six month discount arrangement to one that provides 100% discount for up to one month**

The implications are similar to Option A above but this would give greater administrative flexibility regarding any transfer date issues and some limited council tax relief to those liable, and therefore additional income would reduce as a result.

Taking an average of the 4 years' data to date this change would generate income in the region of £700K for the Council and its precepting authorities

in the district, of which £90K would be retained by the City Council. There would be an additional burden on Council Housing currently estimated at a little over £30K, subject to future voids performance.

**C. Reduce the existing discount scheme, to provide a flat 50% discount for up to 6 months**

This would retain benefits to taxpayers over a longer period, but reduces the discount (from current levels) in the first two months. In administrative terms it is considered simpler than the existing arrangements, but would generate less income than the other two options.

Taking an average of the 4 years' data to date this change would generate income in the region of £375K for the Council and its precepting authorities and of this, approximately £50K would be retained by the City Council. There would likely be an additional burden on Council Housing of approx. £25K to cover its empty housing stock, again subject to voids performance.

**Option 3: Remove the 50% discount for Class D Empty Properties**

- The 50% discount aims to promote property improvement and re-occupation, by incentivising owners and developers to undertake any major repair works within a twelve-month period.
- This option could generate additional income estimated in the region of £80K per annum for the district / precepting authorities in the Lancaster area. Of this, just over £10K would be retained by the City Council.
- In view of the comparatively small scale impact of this discount class and its administration, only a removal option is presented.

3.2 Aside from general policy considerations, there are two specific matters brought to Council's attention:

**Social / Council Housing Properties**

Social housing providers are unaffected by any changes to Class C discounts, as owing to their charitable status, they remain entitled to six-month exemptions on their empty properties. That status does not apply to council owned dwellings, however, and therefore any change is likely to increase liability on empty council housing stock. Members will be aware that void property turn-round times are too long and work is focusing on addressing this; arrangements are in hand for external support to be commissioned to help secure improvement. Any reduction in empty property council tax discounts would therefore act as an incentive to help bring council houses back in to use, in much the same way as for private properties.

**Flood Affected Properties**

The fairest way to provide council tax relief in these circumstances is considered to be through a Government-funded scheme, but at present different arrangements apply in different circumstances and this is highlighted, unfortunately, in the very recent flooding events. Whilst efforts have been made to secure Government funding, these have not been successful to date.

The discounts currently available for Class C and D properties form the basis of the immediate council tax relief available to those households affected by flooding. Given that the financial consequences of awarding these two types of discounts are shared by the City, County, Police and Fire authorities (proportionate to their precepts), it makes them less costly but nonetheless, if any significant number of properties are affected, then the loss of income would soon add up.

Separate to the class discounts, the Council also has a council tax discretionary relief policy but unlike the discounts, the cost of any relief awarded falls solely to the City Council. The policy applies to exceptional circumstances only and each case must be considered on its own merits, recognising the Council's responsibilities to taxpayers as a whole.

In the event that the City Council decides to reduce and/or remove its Class C and D exemptions, it is likely that the City Council would receive more applications for discretionary relief, under that specific policy.

To help make that policy more affordable and therefore more widely available, particularly in flooding events, the County Council has been approached to see whether it would help provide funding for the costs of the discretionary relief policy in future. This is on the understanding that should the City Council choose to use its powers to shorten or remove the Class C and D discounts available for empty properties, the County Council would be the major beneficiary and therefore it would be reasonable for it to help support discretionary relief in appropriate and exceptional circumstances, such as in flooding events.

Initial feedback received from the County Council indicates that they have "already received a similar request from another local authority... [and] in response the point has been made that the County Council allocates its resources on the basis of need rather than where those resources come from and to change that policy would set a dangerous precedent".

Notwithstanding the County Council's position, any form of council tax discount or relief granted in flooding events is just one strand of the support available for those affected, be that through practical measures from the City Council and other public service providers, or through insurance cover, or from any specific funding streams such as the Flood Recovery Fund administered by the Community Foundation for Lancashire.

## 4 DETAILS OF CONSULTATION

- 4.1 No formal consultation with the public has taken place on this issue, but discussions have taken place with major precepting authorities and other Lancashire authorities at a local level (and particularly with the County Council, as referred to above).
- 4.2 **Appendix C** provides information on the discounts to be provided by other Lancashire districts, subject to any further amendments that they may be considering. It can be seen that there are a range of discounts in operation.

## 5 CONCLUSION

- 5.1 There is the potential for the Council to raise additional revenue by amending its Empty Homes Charging Policy, whilst recognising that future collection performance is not guaranteed. There would be extra pressure on Council Housing, and a greater incentive to address void periods.
- 5.2 Any Empty Homes Charging Policy must operate fairly and be equitable to all empty property holders, with flexibility to cover exceptional or unforeseen circumstances. Much of this flexibility is provided for through the separate Discretionary Relief Policy and efforts to seek help with the affordability of this could continue, linked to ongoing discussions with the County Council in respect of flooding matters.

### **RELATIONSHIP TO POLICY FRAMEWORK**

The proposals are developed in support of the Council's Medium Term Financial Strategy, whilst also supporting corporate aims regarding health and wellbeing.

### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

This policy change will impact specifically upon empty home owners etc. The positive impacts of income generation and the potential for bringing empty homes back into use will need to be balanced carefully against any negative impacts of disincentives for house moving and collection difficulties, etc.

### **FINANCIAL IMPLICATIONS**

As referred to in the report.

Given the timing of this decision, the financial implications of any policy changes implemented in 2018/19 would now be taken account of in setting the 2019/20 budget.

### **SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has contributed to the production of this report, which is in her name (as Chief Officer (Resources)).

### **LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments.

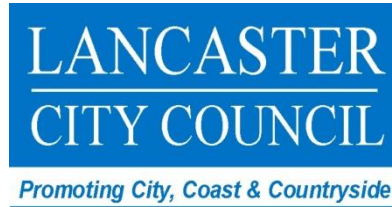
### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

### **BACKGROUND PAPERS**

None.

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**EMPTY HOMES CHARGING POLICY  
COUNCIL TAX  
(KEY ASPECTS)**

**REVENUES & BENEFITS**

**LANCASTER CITY COUNCIL**

## **EMPTY HOMES CHARGING POLICY (COUNCIL TAX)**

### **1 Introduction**

- 1.1 The Local Government Finance Act 2012 amended the Local Government Finance Act 1992 allowing local discretion over the implementation of certain discounts in place of statutory exemptions and also allows for the use of premiums for certain long term empty premises. The intention of Central Government is to allow Councils the flexibility in raising additional Council Tax. In addition, Government is keen to ensure that premises do not remain unoccupied or unused for extensive periods and to encourage the maximum use of all available premises within Council areas.

### **2 Legislation**

- 2.1 The relevant legislation is as follows:

- **Section 11a Local Government Finance Act 1992** - Power to determine further discounts for certain dwellings;
- **Section 11b Local Government Finance Act 1992** - Higher amount for long-term empty dwellings: England;
- **The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 as amended by The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012**; and
- **The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012**.

- 2.2 In addition to the amended legislation, Government provided a number of documents to assist local authorities in the implementation of the new powers:

- Council Tax Information Letter: Council Tax - Definitions of Empty Homes and Second Homes;
- Council Tax - Empty Homes Premium - Guidance - for properties for sale and letting.

### **3.0 The Charging Policy:**

- 3.1 Council approved the following changes to Council Tax exemptions, discounts, long term empty properties and second homes with effect from 1 April 2013 by:

- (i) replacing the six months exemption for empty homes with a 100% discount for two months, followed by a discount of 50% for the next four consecutive months (Class C – empty and unfurnished discount);
- (ii) replacing the exemption of up to twelve months with a discount of 50% for a period up to twelve months for properties where major repairs or structural alterations are required, underway, or recently completed (Previously Class A Exemption – Now Class D Discount);
- (iii) revoking the 10% discount on second homes (now 100% charge);
- (iv) revoking the 50% discount for empty homes after six months and levy a premium of 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 and any local discretions;





### 4.3 Empty Homes Premium – Long Term empty dwellings

4.3.1 A long term empty dwelling is one that has been vacant in excess of two years and as such is subject to an Empty Homes Premium of 50%, in addition to the 100% charge already levied in respect of empty premises.

4.3.2 The policy aim is to encourage owners to bring empty properties back into use quicker, at a time when there is an overall housing shortage and social housing waiting list. The Government considers that long-term empty properties attract squatters, vandalism and anti-social behaviour, and are a blight on the community.

4.3.3 Liability for the Empty Homes Premium is determined by the length of time that the property has been empty. An individual who purchases a property, which has already been empty for two-years, may be required to pay the premium as soon as they take ownership. A period of occupation of over six weeks qualifies as a break in the empty period, 'resetting the clock' for the purposes of the Empty Homes Premium.

4.3.4 **Statutory Exemptions** - two classes of property are exempt by statute from the Empty Homes Premium as detailed below:

- A dwelling which is the sole or main residence of a member of the armed forces, who is absent from the property as a result of such service. (Class E)
- An annex deemed unoccupied because it is being treated by the occupier of the main dwelling as part of that main building. (Class F)

### 4.4 Second Homes

4.4.1 Defined as a dwelling, which is no one's sole or main residence but which is furnished.

4.4.2 A charge of 100% will be applied for second homes (0% discount). The charge applies to all cases except where the legislation determines otherwise and in those cases (as follows) a charge of 50% will apply (rather than the 100%):

- Dwellings which are furnished but unoccupied because the owner is liable to a Council Tax elsewhere in job-related accommodation;
- Empty but furnished dwellings of service personnel resident in accommodation provided by the Ministry of Defence;
- If the dwelling is a caravan or houseboat; or
- Where members of the clergy are required to live in accommodation provided by their employer to perform the duties of their office.

## APPENDIX B

| Class C Properties<br>- Empty and<br>Unfurnished |               | Discount 100%<br>(2 month period) | 50%<br>(4 month period) | TOTAL                |
|--|---------------|-----------------------------------|-------------------------|----------------------|
|  |               | Discount Amount<br>£              | Discount Amount<br>£    | Discount Amount<br>£ |
| 2013/14  | Private Owned | 633,000                           | 263,000                 | 896,000              |
|  | Council Owned | 50,000                            | 7,000                   | 57,000               |
|  | <b>Total</b>  | <b>683,000</b>                    | <b>270,000</b>          | <b>953,000</b>       |
| 2014/15  | Private Owned | 670,000                           | 291,000                 | 961,000              |
|  | Council Owned | 46,000                            | 8,000                   | 54,000               |
|  | <b>Total</b>  | <b>716,000</b>                    | <b>299,000</b>          | <b>1,015,000</b>     |
| 2015/16  | Private Owned | 752,000                           | 314,000                 | 1,066,000            |
|  | Council Owned | 49,000                            | 9,000                   | 58,000               |
|  | <b>Total</b>  | <b>801,000</b>                    | <b>323,000</b>          | <b>1,124,000</b>     |
| 2016/17  | Private Owned | 769,000                           | 367,000                 | 1,136,000            |
|  | Council Owned | 52,000                            | 9,000                   | 61,000               |
|  | <b>Total</b>  | <b>821,000</b>                    | <b>376,000</b>          | <b>1,197,000</b>     |
| <b>Annualised Average</b>                        |               | <b>755,000</b>                    | <b>317,000</b>          | <b>1,072,000</b>     |

| Class D Properties<br>- Major Repairs |               | 50%<br>(maximum 12<br>month period) |
|---------------------------------------|---------------|-------------------------------------|
|                                       |               | Discount Amount<br>£                |
| 2013/14                               | Private Owned | 90,000                              |
|                                       | <b>Total</b>  | <b>90,000</b>                       |
| 2014/15                               | Private Owned | 72,000                              |
|                                       | Council Owned | 1,000                               |
|                                       | <b>Total</b>  | <b>73,000</b>                       |
| 2015/16                               | Private Owned | 74,000                              |
|                                       | <b>Total</b>  | <b>74,000</b>                       |
| 2016/17                               | Private Owned | 83,000                              |
|                                       | <b>Total</b>  | <b>83,000</b>                       |
| <b>Annualised Average</b>             |               | <b>80,000</b>                       |

| <b>Empty Properties in Receipt of Discounts</b>                              | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> |
|--|----------------|----------------|----------------|----------------|
| <b>Class D: Major Repairs / Structural Alterations</b>                       | 76             | 56             | 61             | 70             |
| <b>Class C: Empty properties within the first 6 months of becoming empty</b> | 1,045          | 981            | 1,098          | 1,221          |
| <b>Long term empty beyond 6 months</b>                                       | 914            | 979            | 969            | 1,087          |

| <b>Empty Properties Charged a Premium</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> |
|---|----------------|----------------|----------------|----------------|
| <b>Empty in excess of 2 years</b>         | 344            | 282            | 242            | 248            |

## APPENDIX C

| <b><u>Lancashire Authorities – Discount Levels for Properties Undergoing Major Repairs and Empty Properties.</u></b> |  |   |
|--|--|---|
| <b><u>Authority</u></b>  | <b><u>Class C<br/>Empty &amp; Unfurnished<br/>Properties</u></b> | <b><u>Class D<br/>Properties Undergoing Major<br/>Repairs<br/>(for up to 12 months)</u></b> |
| Blackburn  | 100% discount for 3 months only                                  | 50%   |
| Blackpool  | 100% discount for 3 months only                                  | 50%   |
| Burnley  | 100% discount for 2 months only                                  | 25%   |
| Chorley  | 50% discount for 6 months,<br>25% for up to 18 months maximum    | 50%   |
| Fylde  | 100% discount for 6 months                                       | 100%  |
| Hyndburn   | 50% discount for 6 months  | 50%   |
| Lancaster  | 100% discount for 2 months,<br>50% discount for further 4 months | 50%   |
| Pendle   | 100% discount for 4 weeks only                                   | None  |
| Preston  | 100% discount for 1 month  | 50%   |
| Ribble Valley  | 100% discount for 6 months                                       | 100%  |
| Rossendale   | 100% discount for 1 month only                                   | 100%  |
| South Ribble   | 100% discount for 6 months                                       | 100%  |
| South Lakes  | 100% discount for 6 months                                       | 100%  |
| West Lancs   | 50% discount for 3 months only                                   | 50%   |
| Wyre   | 100% for 1 month only  | 25%   |

## Lancaster City Council's Equality Impact Assessment Guidance and Form

### Equality impact assessment form

#### **Section 1: Details**

|  |   |
|--|---|
| <b>Service</b>                                   | Revenues & Benefits Shared Service<br>Resources |
| <b>Title and brief description (if required)</b> | Council Tax Empty Homes Charging Policy         |
| <b>New or existing</b>                           | Existing  |
| <b>Author/officer lead</b>                       | Lead – Adrian Robinson (Head of Shared Service) |
| <b>Date</b>                                      | Review – 5/12/17                                |

**Does this affect staff, customers or other members of the public?**

Yes

#### **Section 2: Summary**

**What is the purpose, aims and objectives?**

In 2013 the Government set out a range of changes affecting specific Council Tax exemption categories relating to empty or second homes.

These changes enable local authorities, within certain parameters, to determine the level of discount, if any, that should be made available in these cases. Our response to these changes sets out how the Council will use these new freedoms, and has the following key aims:

- To help minimise the length of time properties remain empty, thereby encouraging best use of the housing stock in the area.
- To raise additional council tax income to support and maintain public services.

**Who is intended to benefit and how?**

Those in receipt of council/ local authority services, and those seeking homes in the district.

**Section 3: Assessing impact**

| <b>Is there any potential or evidence that this will or could:</b>   |  |    |
|--|--|----|
| • Affect people from any protected group differently to others?  |  | No |
| • Discriminate unlawfully against any protected group?   |  | No |
| • Affect the relations between protected groups and others?  |  | No |
| • Encourage protected groups to participate in activities if participation is disproportionately low (won't always be applicable)? |  | No |
| • Prevent the council from achieving the aims of its' Equality and Diversity Policy?   |  | No |

Generally, there is the potential for a financial impact on some individuals where they will be required to pay more council tax, through having a shorter discount period.

There may be a negative financial impact on the following groups which may have a detrimental effect on the relationships between them and the Council:

- Private landlords;
- Owners of second homes;
- Owners of occupied and unfurnished dwellings that require major repair or structural alteration;
- Owners of other unoccupied unfurnished dwellings.

| <b>If yes, please provide more detail of potential impact and evidence including:</b>   |         |
|---|---------|
| <ul style="list-style-type: none"> <li>- A brief description of what information you have and from where eg getting to know our communities data, service use monitoring, views of those affected ie discussions or consultation results?</li> <li>- What does this tell you ie negative or positive affect?</li> </ul> |         |
| Age<br><br>including older and younger people and children  | Neutral |
| Disability  | Neutral |
| Faith, religion or belief   | Neutral |
| Gender<br><br>including marriage, pregnancy and maternity   | Neutral |

|   |  |
|---|--|
| Gender reassignment                                     | Neutral  |
| Race  | Neutral  |
| Sexual orientation<br>Including<br>Civic<br>Partnership | Neutral  |
| Rural communities                                       | Neutral  |
| People on low incomes                                   | Potential impact, but this cannot be readily assessed. |

#### **Section 4: Next steps**

**Do you need any more information/evidence eg statistics, consultation? If so, how do you plan to address this?**

No.

**How have you taken/will you take the potential impact and evidence into account?**

Through council decision-making.

**How do you plan to monitor the impact and effectiveness of this change or decision?**

Whilst the changes will result in additional council tax being charged, collection of monies due on empty properties is typically more challenging and resource intensive. Monitoring will continue to be undertaken and projected collection rates may need to be revised.