

EAST HERTS COUNCIL

EXECUTIVE – 7 JUNE 2016

REPORT BY EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

COUNCIL TAX DISCOUNTS

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To consider changes to the level of discount granted on empty homes.

| | |
|--|---|
| <u>RECOMMENDATIONS FOR COUNCIL:</u> That: | |
| (A) | the recommendations of the Corporate Business Scrutiny Committee be received; and |
| (B) | the options detailed within this report be considered and option XXXX be approved. |

1. BACKGROUND

1.1. A report was considered by Corporate Business Scrutiny on 22 March 2016 in respect of consideration of options for the Council Tax Support scheme for 2017/18. It included details about the availability of changing the level of discounts granted on empty properties.

1.2. It was determined that these subjects would best be considered in two separate reports. This report addresses the Council Tax discounts on empty homes.

2. REPORT

2.1. Council Tax discounts

2.1.1. As part of the Government's localism agenda, Councils were given discretion to change the level of discount on a small range of reliefs from April 2013.

2.1.2. This new discretion related to second homes, empty and substantially unfurnished properties and uninhabitable empty properties.

2.1.3. Council considered a report in December 2012 and determined to remove discounts for second homes, and reduce to 50% the discount available on each of the empty property discounts. No changes were made to the qualifying conditions or duration of the discount.

2.1.4. The council chose not to utilise a new option of adding a 50% premium on long term empty properties, which have remained empty for over 2 years.

2.1.5. In 2015/16 these discounts cost £440,000, and the premium could have generated in the region of £118,000 additional revenue. This is based on assumption that all properties were Band D value.

2.1.6. The loss of income is shared by East Herts, the County Council, Police Authority and Town and Parish Councils pro rata to each authority's rate of council tax.

2.1.7 There were 4421 awards of relief on empty and unfurnished properties and 128 awards on empty and uninhabitable properties in 2015/16.

2.2 Options

2.2.1 Corporate Business Scrutiny recommended that proposals be made which discouraged empty properties, with a phased approach to reducing discounts.

2.2.2 Introducing the empty homes premium from 1st April 2017 would generate additional income in the region of £118,000 based on 2016/17 council tax levels.

2.2.3 The following tables demonstrate the current number of reliefs for empty and substantially unfurnished homes, and empty uninhabitable homes.

Table 1. Number of reliefs granted for each duration in 2015/16 for empty and uninhabitable property

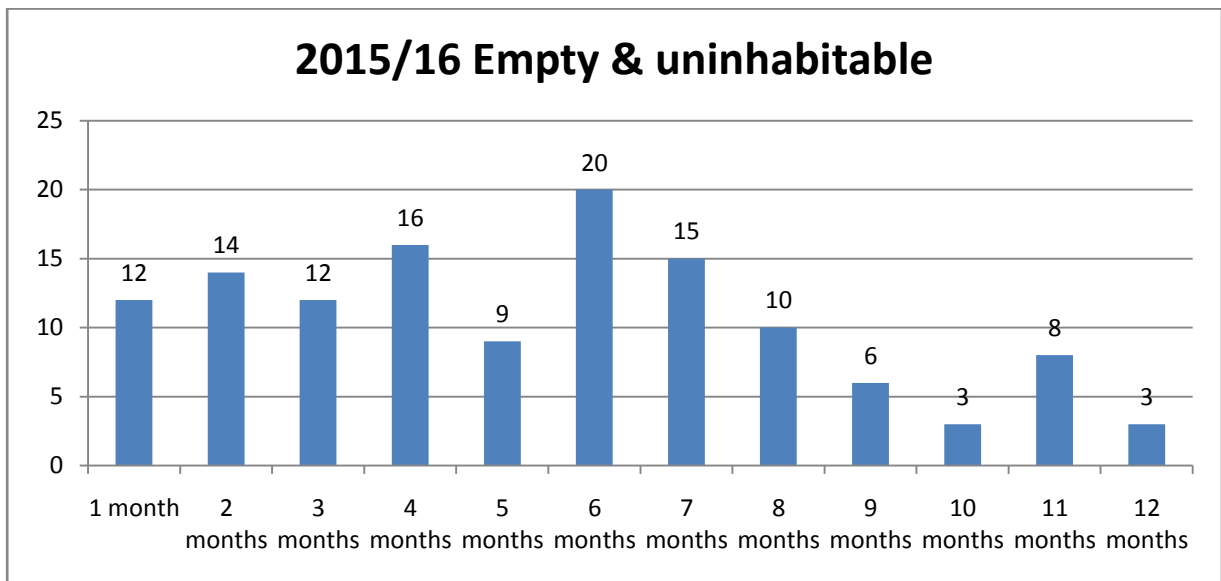
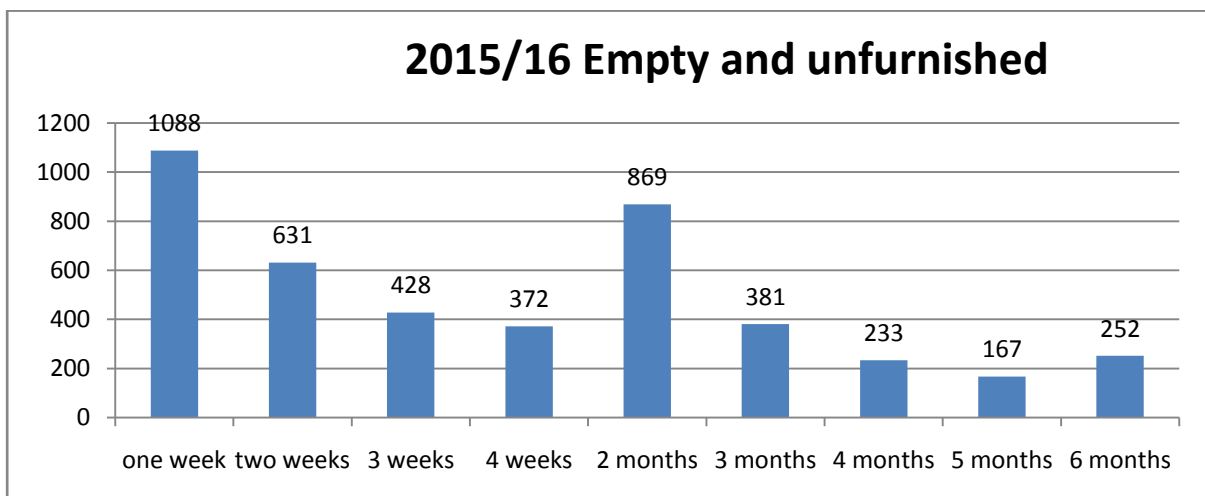


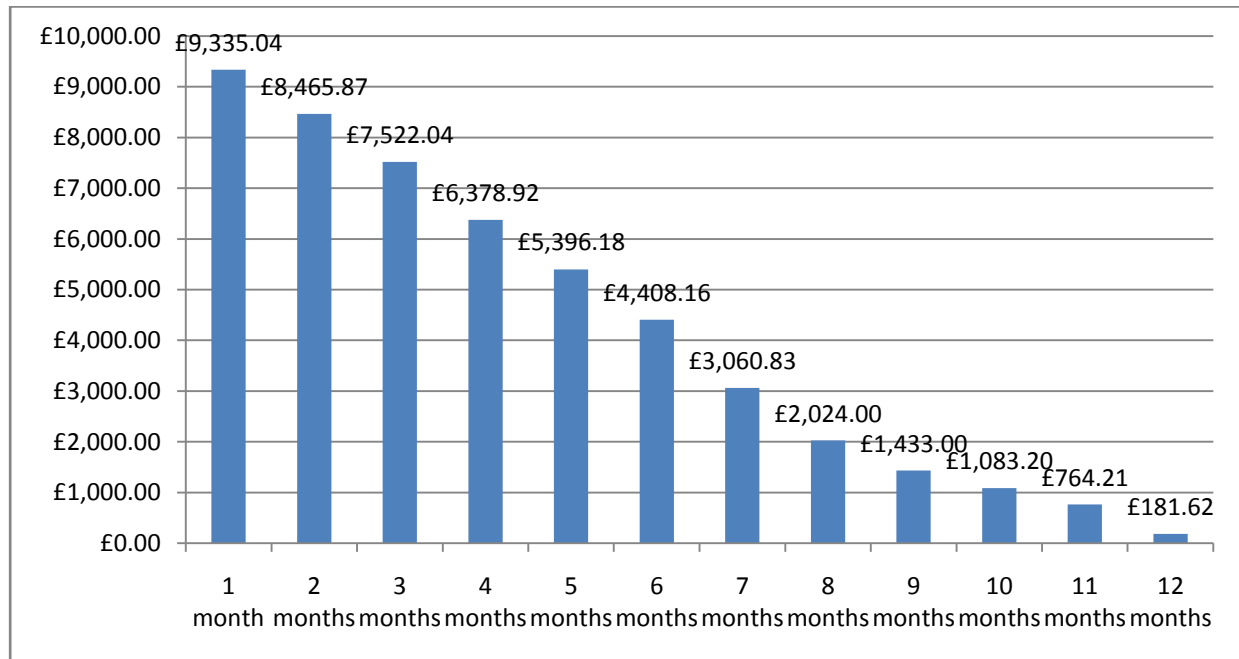
Table 2: Number of reliefs granted for each duration in 2015/16 for empty and unfurnished property.



2.2.4 It should be noted that the level and duration of awards within the schemes vary each year.

2.2.5 The following tables demonstrate the cost and duration of awards.

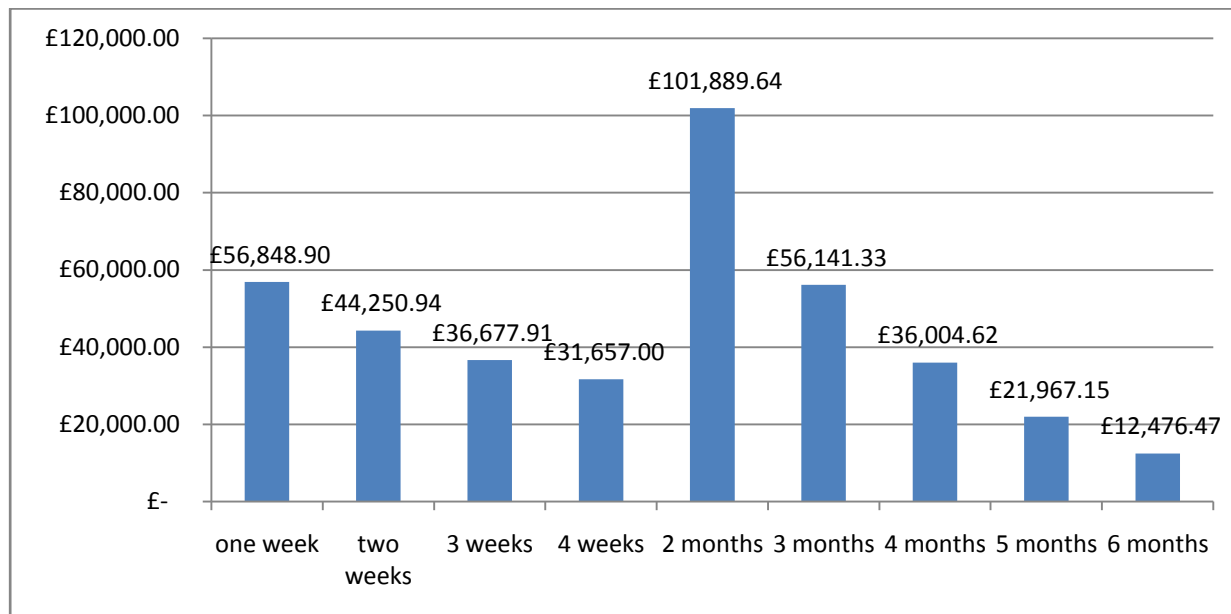
Table 3: Empty and uninhabitable 2015/16 cost of scheme per month of award.



2.2.6 The table below summarises the potential savings achieved by reducing the periods of the reliefs for empty and uninhabitable properties

| Reduce scheme to | Potential savings |
|------------------|-------------------|
| 1 month | £40,718 |
| 2 months | £32,252 |
| 3 months | £24,730 |
| 4 months | £18,351 |
| 5 months | £12,955 |
| 6 months | £8,547 |
| 7 months | £5,486 |
| 8 months | £3,462 |
| 9 months | £2,029 |
| 10 months | £946 |
| 11 months | £182 |

Table 4: Empty and substantially unfurnished, 2015/16 cost of scheme per period of the award.



2.2.7 The table below summarises the potential savings achieved by reducing the periods of the reliefs for empty and substantial unfurnished properties.

| Reduce scheme to | Potential savings |
|------------------|-------------------|
| 1 week | £ 341,065 |
| 2 weeks | £ 296,814 |
| 3 weeks | £ 260,136 |
| 4 weeks | £ 228,479 |
| 2 months | £ 126,590 |
| 3 months | £ 70,448 |
| 4 months | £ 34,444 |
| 5 months | £ 12,476 |

2.2.8 Alternatively the percentage of relief could be increased and the period reduced. 38.8% of all awards for empty and unfurnished properties in 15/16 were for a period up to 2 weeks. The table below shows the impact of increasing the award to 100% for this period and removing it for all periods thereafter. This would be beneficial to those people living in rented accommodation who have an overlapping tenancy when moving home.

| period | 100% up to two weeks only |
|---------------|---------------------------|
| one week | £ 113,697.80 |
| two weeks | £ 88,501.88 |
| 3 weeks | -£ 36,677.91 |
| 4 weeks | -£ 31,657.00 |
| 2 months | -£ 101,889.64 |
| 3 months | -£ 56,141.33 |
| 4 months | -£ 36,004.62 |
| 5 months | -£ 21,967.15 |
| 6 months | -£ 12,476.47 |
| Saving | -£ 94,614.44 |

2.3 Other Local authority decisions.

2.3.1 Local Authorities in the area have responded differently to the capability to vary these discounts, depending on their circumstances and policy objectives.

| | Premium charged on Long Term Empty properties? | Discount for 'empty and unfurnished' | Discount for Empty-uninhabitable |
|--------------|--|--------------------------------------|----------------------------------|
| East Herts | No | 50% for 6 months | 50% for up to 12 months |
| Stevenage | No | 10% for 6 months | 10% for up to 12 months |
| North Herts | Yes | 100% for 28 days only | Zero |
| Hertsmere | Yes | 100% for up to 2 months | 50% for up to 12 months |
| Welwyn | Yes | 100% for one month | Zero |
| St Albans | Yes | 50% for 6 months | Zero |
| Dacorum | Yes | 100% for up to 3 months | 100% for up to 3 months |
| Three Rivers | Yes | Zero | Zero |
| Watford | Yes | Zero | Zero |
| Central Beds | Yes | Zero | Zero |
| Bedford | Yes | Zero | Zero |
| Luton | Yes | Zero | Zero |

2.4 Protections

2.4.1 In addition to the discretionary reliefs detailed above, the Council Tax regulations include provision for other categories of relief to be granted when properties are empty. These are statutory exemptions over which the billing authority has no discretion. These include where the property has been left empty by a deceased person, in which case no council tax is charged until probate or a letter of administration is granted or for a period of up to six months after the date when probate or a letter of administration is granted.

3. Summary

3.1 There are three areas under consideration.

- The addition of a 50% Council Tax premium on properties which have been empty for 2 or more years
- Changing the period or percentage of relief granted to properties which are classified as empty and uninhabitable from 50% for up to 12 months to a period not exceeding 6 months at 50%
- Changing the period or percentage of relief granted to properties which are classified as empty and substantially unfurnished from a period of up to 6 months at 50% to a period not exceeding 2 months at 50%.

3.2 These changes would be introduced no earlier than 1 April 2017.

4. Implications

4.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None

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