

EAST HERTS COUNCIL

COUNCIL - 1 MARCH 2018

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.

RECOMMENDATIONS FOR COUNCIL: That:

(A)	the discount for empty and unfurnished properties be removed from 1 April 2018;
(B)	the discount for empty and unfurnished and undergoing major repairs /structural work properties be removed from 1 April 2018; and
(C)	a local discount is not created for listed buildings undergoing major repairs /structural work.

1. BACKGROUND

- 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.

- 1.2 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 from April 2013. No changes were made to the qualifying conditions or duration of the discount, and no premium was added to long term empty properties.
- 1.3 In June 2016, and with effect from April 2017, the Executive recommended to change the *duration* of empty discounts and to add the 50% premium to long term empty properties which had been empty for 2 or more years. These changes are show below.

Up to 31.3.2017	From 1.4.2017
<p>Empty and unfurnished:</p> <p>50% discount for up to 6 months</p>	<p>Empty and unfurnished:</p> <p>50% discount for up to 2 months</p>
<p>Empty and unfurnished and undergoing major repairs or structural work</p> <p>50% discount for up to 12 months</p>	<p>Empty and unfurnished and undergoing major repairs or structural work</p> <p>50% discount for up to 6 months</p>
<p>Empty and unfurnished for over 2 years</p> <p>No premium charged, just charged normal liability.</p>	<p>Empty and unfurnished for over 2 years</p> <p>50% premium charge added to liability</p>

- 1.4 In 2016, Corporate Business Scrutiny recommended that proposals be made which discouraged empty properties, with a phased approach to reducing discounts.

- 1.5 Reducing the number and duration of empty homes in the district is a focus of activity and the discounts and premium are tools which can be used to encourage owners to minimise these.
- 1.6 There are currently (November 2017) 120 properties which are charged a 50% long term empty premium. This generates approximately £105k additional income, which is allocated through the tax base according to the precept shares. East Herts benefits by approximately £10.3k.
- 1.7 The Government announced in its November 2017 budget an intention to give local authorities powers to increase this premium to 100%, but legislation is yet to be enacted to permit this.
- 1.8 Council Tax **discounts** on empty properties in contrast, reduce the taxbase and are therefore a cost to the precepting authorities including East Herts.
- 1.9 The cost so far this year (to 24.11.17) of these discounts is shown below. The costs will increase during the remainder of the year.

Discount	Number	Total cost	East Herts share
Empty and unfurnished:	2566	£171,808	£16,854
Empty and unfurnished and undergoing major repairs or structural work	90	£32,760	£3,214

2. Options

2.1 Empty uninhabitable homes

2.1.1 The following table demonstrates the current number of reliefs for empty uninhabitable homes.

Number of reliefs granted for each duration in 2017/18 to date for empty and uninhabitable property

Number	
Up to 1 month	10
Up to 2 months	10
Up to 3 months	10
Up to 4 months	11
Up to 5 months	11
Up to 6 months	38
Total	90

2.1.2 The following tables demonstrate the cost and duration of awards on **empty and uninhabitable properties** (to date 2017/18).

	Costs		savings		East Herts savings share	
Month 1	£	7,075	£	25,685	£	2,519.70
Month 2	£	6,526	£	19,159	£	1,879.48
Month 3	£	5,953	£	13,206	£	1,295.51
Month 4	£	5,316	£	7,890	£	773.99
Month 5	£	4,434	£	3,455	£	338.97
Month 6	£	3,455				
	£	32,760				

2.1.3 The table demonstrates the additional costs for each extra month that the award is made, and the savings that could be achieved if the duration of the awards were capped further.

2.1.4 It is recommended that this relief be removed in full. The average award is currently £364.00 and as such is not considered an effective inducement or deterrent to expedite the return to the market of a property that is undergoing substantial rebuilding.

2.2 **Empty and substantially unfurnished homes.**

2.2.1 The following table demonstrates the current number and cost of reliefs (2017/18 to date) for **empty and substantially unfurnished homes**.

	Cost	Number
Month 1	£114,141	1,490
Month 2	£57,667	1,076
Totals	£171,808	2,566

2.2.2 The table demonstrates the additional cost of awards which exceed one month, and the number of the awards which extend into this period.

2.2.3 Reducing the period to only one month would save £57,667, of which EHC would save £5.6k, or removing the relief completely would save EHC £11k. The average award is £67.00.

2.2.4 It is recommended that this relief be removed as it does not act as an inducement to return properties to the market.

2.3 **Listed buildings : Empty and unfurnished and undergoing major repairs or structural work**

- 2.31 Executive considered this report on 6 February 2018 and agreed to commend to Council recommendations A and B above. However, they requested, in response to a Member's experience with a listed building, to include consideration of a continuation of support for empty listed buildings undergoing major repairs or structural work.
- 2.3.2 Historic England record 3087 listed assets in the East Herts area. One asset can include a number of dwellings. There are currently 267 different asset types, ranging from 'wall' to 'motte and bailey'. Based on this information there are in the region of 2000 listed residential properties that may be liable for Council Tax. The complete taxbase has 61844 properties at 1.2.2018.
- 2.3.3 Section 13A of the Local Government Finance Act 1992 permits billing authorities to resolve to reduce the amount a person is liable to pay by way of Council Tax to such extent as they think fit. This includes power to reduce an amount to nil, and may be exercised in relation to a particular case or by determining a class in which liability is to be reduced to an extent provided for by the determination. The cost of any such reduction is wholly borne by the billing authority.
- 2.3.4 This means that if East Herts determined to create a local discount for **listed** council tax property undergoing major repairs or structural work, the full cost of the discount would be paid for by residents of East Herts. The costs of statutory discounts are borne in proportion to the precept of the taxbase, which in 2017/18 is 9.81% for East Herts.
- 2.3.5 The Government supports owners of long term empty properties, by reducing the VAT liability to 5%, on building works, etc, if the property has been empty for 2 or more years. (<https://www.gov.uk/government/publications/vat-notice-708->

[buildings-and-construction/vat-notice-708-buildings-and-construction](#))

2.3.6 The Council also provides historic building grants and heritage at risk grants to support work to repair and or restore these buildings/structures.
(<https://www.eastherts.gov.uk/article/34977/Heritage-Grants>)

2.3.7 The current discount for empty and unfurnished and undergoing major repairs or structural work is 50% for 6 months. For a band D property this is currently worth in the region of £400.00.

2.3.8 It is not considered that the loss of this discount would discourage owners from repairing listed properties. Those owners experiencing particular difficulties can apply for assistance under Section 13A of the Council Tax regulations as detailed at 2.3.3 above.

2.4 Other Local authority decisions.

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

	50% Premium charged on Long Term Empty properties?	Discount for 'empty and unfurnished'	Discount for Empty-uninhabitable
East Herts	Yes	50% for 2 months	50% for up to 6 months
Dacorum	Yes	100% for up to 3 months	100% for up to 3 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	Zero	50% for up to 6 months
Stevenage	Yes	Zero	Zero
Three Rivers	Yes	Zero	Zero
Watford	Yes	Zero	Zero
Central Beds	Yes	Zero	Zero
Bedford	Yes	Zero	Zero
Luton	Yes	Zero	Zero

2.5 Protections

2.5.1 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 two areas under consideration.

- Removing the empty and uninhabitable relief
- Removing the empty and substantially unfurnished relief.

3.2 These changes would be introduced no earlier than 1 April 2018.

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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