

# POLICY AND RESOURCES COMMITTEE

18<sup>th</sup> January 2017

Is the final decision on the recommendations in this report to be made at this meeting?

**No**

## Council Tax Empty Property Discounts

<b>Final Decision-Maker</b>	Council
<b>Lead Head of Service</b>	Sheila Coburn, Head of Revenues and Benefits (interim)
<b>Lead Officer and Report Author</b>	Sheila Coburn, Head of Revenues and benefits (interim)
<b>Classification</b>	Public
<b>Wards affected</b>	All

### **This report makes the following recommendations to this Committee:**

1. That the Committee recommends to Council that the Council Tax Empty Property Discount Policy (appendix A) be approved.
2. That the Committee notes the intention to maintain protection to those properties which are uninhabitable due to natural disaster such as flooding or malicious damage.

### **This report relates to the following corporate priorities:**

- Keeping Maidstone Borough an attractive place for all – Removal of the discounts will encourage empty properties being brought back into use
- Securing a successful economy for Maidstone Borough – Removal of the discounts will increase available funding to support local services

### **Timetable**

<b>Meeting</b>	<b>Date</b>
Policy and Resources Committee	18 <sup>th</sup> January 2017
Council	1 <sup>st</sup> March 2017

# Council Tax Empty Property Discounts

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Council Tax legislation provides for a number of statutory and discretionary discounts for empty properties.
  - 1.2 The council amended its policy for the award of empty property discounts from April 2013, reducing the level of discount to certain categories of empty properties.
  - 1.3 Given the increasing pressures on housing and local government finance it is proposed that these discounts are further amended, with the existing discretionary discounts removed.
  - 1.4 Removal of discretionary Council Tax discounts will provide greater incentive for empty properties to be returned to use, increase income through council tax and reduce the cost of administration.
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## 2. INTRODUCTION AND BACKGROUND

- 2.1 The Local Government Finance Act 2012 introduced discretion for councils to vary the Council Tax discounts for certain categories of empty properties, whilst maintaining a range of mandatory discounts and exemptions.
- 2.2 The discretion allows the council to vary the exemption and replace it with a local discount where:
  - A property becomes unoccupied and is left substantially unfurnished (6 month exemption); or
  - A property is vacant and it requires or is undergoing major repair works to render it habitable; it is undergoing structural alteration; or less than 6 months have elapsed since the date on which such work was substantially completed (12 month exemption).
- 2.3 The council exercised this discretion from April 2013 in removing the exemption for properties that are unoccupied and unfurnished and replacing it with a local discount for 1 month.
- 2.4 In making such a change the cost of the exemption was reduced from £991,000 in 2012/2013 to £289,000 in 2015/2016. However, with 4,287 properties continuing to receive the reduced 1 month discount the cost remains high.
- 2.5 The average value of the discount awarded is £67.50, representing the charge for 17 days.

- 2.6 The council has not exercised its discretion to remove the exemption for properties requiring/undergoing major works. In 2015/2016, 308 properties received such as discount at a total cost of £199,000. The average reduction per property was £646.00, representing the charge for 145 days.
- 2.7 Examples of mandatory discounts and exemptions for unoccupied properties which will be unaffected by the proposed change include circumstances where:
- Liable person has died
  - Liable person is living in hospital or a care home
  - Liable person is living elsewhere to provide personal care
  - Liable person is a student living away
  - Liable person is in prison
  - Liable person is a charity
  - Occupation is prohibited by law
- 2.8 The Revenues and Benefits shared service employs 3 FTE property inspectors. If the discretionary discounts were removed, the Council Tax inspector's workload would be reduced through not having to inspect and verify entitlement to discounts, providing the opportunity to reduce by 1 FTE and saving £20,000 in administration. Such a saving would be dependent on TWBC making a similar change to their empty property discounts.
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### **3. AVAILABLE OPTIONS**

- 3.1 Option 1 - 'do nothing' will mean discounts are awarded as they currently are and no additional Council Tax will be generated.
- 3.2 Option 2 - The council can choose to remove both of the discretionary discounts currently available. In doing so the council would generate an estimated £488,000 in additional council tax, providing MBC with £73,200 based on its share of the precept. A further £20,000 saving would also be available through reduced staffing providing a total saving of £93,200.
- 3.3 Option 3 - If the council chose to only remove the one month discount for unoccupied and unfurnished properties, this would generate an estimated £289,000 in additional council tax, providing MBC with £43,350 based on its share of the precept. The reduction in workload is not expected to be sufficient to reduce staffing. However, this would continue to be monitored.
- 3.4 The main disadvantage with removing the one month discount would be for landlords where they are looking to carry out minor repairs and re-decorate properties before the start of a new tenancy. The landlord would immediately become liable to pay full Council Tax in between tenancies whereas currently they benefit from up to one month discount. However, many other councils have now removed the one month empty discount and have found that this discretion has now been accepted. The current demand for rented accommodation means that landlords can expect to be

able to re-let property promptly, and this demand unlikely to diminish in the foreseeable future.

- 3.5 Option 4 - If the council chose to remove the 12 month discount for properties under major works, this would generate an estimated £199,000 in additional council tax, providing MBC with £29,850 based on its share of the precept.
- 3.6 In the case of removal of the uninhabitable discount, there is likely to be resistance from owners who are unable to occupy their properties because they need major repair works or structural alterations to make the property habitable. However, removal of this discount may encourage owners to bring their properties back into use and support the council's wider aims to reduce the number of empty properties in the borough. Other councils have found that where this discount has been removed, this discretion has now been accepted.

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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 Given the local pressures on housing and local government finance it is recommended that option 2 be progressed, with both local discounts removed from 1st April 2017.
- 4.2 The main argument for not progressing such a change would be the issue of fairness to non resident owners, who it could be said are being asked to pay for services that they do not use. Such services include refuse collection.
- 4.3 In considering that issue it is important to acknowledge that non resident owners are unlikely to use the full range of services funded through council tax. However, council tax is not charged on the basis that residents or non resident owners will use every service.
- 4.4 Many services such as planning, highways, street cleaning, local policing and fire services are essential in maintaining the local environment for both residents and non resident owners. Those services do not stop or reduce in cost when a property becomes empty with the cost of awarding discounts currently subsidised by the wider council tax payer.
- 4.5 However, it is further recommended that where there has been a natural disaster, a flood or a fire which leave a property uninhabitable, officers have discretion to award a discount of up to 12 months in these circumstances.

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#### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 The decision to reduce the empty property discount from 6 months to 1 month was considered and agreed by Full Council in December 2012, following a full public consultation.

5.2 There is no requirement for another consultation regarding the proposal to further reduce the discount.

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## 6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 Subject to the approval by the Committee and Full Council, details of the change will be made available through the Maidstone Link (formerly the Gateway), Website and within information provided with the Council Tax demand.

6.2 Information will also be included with all communications being sent to private landlords to further promote awareness of the change.

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## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	Support the council's aim to reduce the number of empty properties and increase the number of available homes within the borough.	Sheila Coburn, Head of Revenues and Benefits (interim)
<b>Risk Management</b>	No impact	Sheila Coburn, Head of Revenues and Benefits (interim)
<b>Financial</b>	The financial impact on non resident owners and Council is set out within the body of the report. The additional income generated by the changes set out in this report will help the Council achieve a balanced budget position in 2017/18 and subsequent years.	Mark Green, Director of Resources and Business Improvement (S151 Officer)
<b>Staffing</b>	The recommended change would support a reduction in staffing of 1 FTE.	Sheila Coburn, Head of Revenues and Benefits (interim)
<b>Legal</b>	Discretion to set a local policy on empty property discounts is set out with S11 Local Government Finance Act 2012.	Estelle Culligan, Head of Legal Services (Interim)

<b>Equality Impact Needs Assessment</b>	An Equality Impact Assessment has been undertaken and the changes are not expected to adversely impact on residents with protected characteristics as defined by the Equalities Act.	Sheila Coburn, Head of Revenues and Benefits (interim)
<b>Environmental/Sustainable Development</b>	No impact.	Sheila Coburn, Head of Revenues and Benefits (interim) [Head of Service or Manager]
<b>Community Safety</b>	No impact	Sheila Coburn, Head of Revenues and Benefits (interim)
<b>Human Rights Act</b>	No impact	Sheila Coburn, Head of Revenues and Benefits (interim)
<b>Procurement</b>	No impact	Sheila Coburn, Head of Revenues and Benefits (interim)
<b>Asset Management</b>	No Impact	Sheila Coburn, Head of Revenues and Benefits (interim)

## 8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix I: Council Tax Empty Property Policy

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## 9. BACKGROUND PAPERS

None