

South Lakeland District Council
Council
Tuesday 23rd February 2021
Council Tax Discount and Premia

Portfolio: Finance and Resources Portfolio Holder
Report from: Section 151 Officer
Report Author: Elaine Conway – Specialist (Revenues)
Wards: (All Wards);
Forward Plan: Council Tax Discounts and Premia first published on the forward plan published on 5 January 2021

1.0 Expected Outcome

1.1 The introduction of these proposals will assist in encouraging Owners of empty properties to bring them back into use. They will also generate additional income from changes to discounts on empty properties and Empty Homes Premium (EHP) on Long Term Empty Properties (LTEP). This could be used to offset the costs of the Council Tax Reduction Scheme (CTRS) and other budget savings the Council is required to make. These proposals are made in line with the Councils objectives for Empty Homes and the Councils Empty Homes Officer has been involved in the discussion.

2.0 Recommendation

2.1 It is recommended that Council approve the amended proposals outlined in Para 3.1 that were considered by Cabinet on 3rd February 2021.

3.0 Background and Proposals

3.1 The current levels of Council Tax Discount and Premia are set out below. While the majority of discounts are set by Government there are a few areas where there is flexibility for Council's to set levels. When setting these discounts and premia the Council should consider impact on the individual Council tax payer but also the impact on all other Council tax payers who will fund any discounts granted. Cabinet considered proposals for amendments to the discounts and premia on 25th November. Section 4.0 below sets out the consultation that has been carried out. This report considers the response to the consultation and makes the following proposals: and the proposed levels are set out below.

| <u>Reason property empty</u> | <u>Current Discount</u> | <u>Revised Proposed Discount</u> |
|-------------------------------------|--------------------------------|--|
| Unoccupied and Unfurnished | 100% for 6 months | 100% for 3 months (original proposal was 100% for one month) |
| Major Works | 100% for 12 months | No discount |
| Long Term Empty between 2 – 5 Years | 50% EHP | 100% EHP from 1.4.2021 (i.e. 200% council tax payable from 1.4.2021) |

| <u>Reason property empty</u> | <u>Current Discount</u> | <u>Revised Proposed Discount</u> |
|--|-------------------------|---|
| Long Term Empty for between 5 and 10 years | 50% EHP | 100% EHP from 1.4.2021 (i.e. 200% council tax payable from 1.4.2021) 200% EHP from 1.4.2022 (i.e. 300% council tax payable from 1.4.2022) |
| Long Term Empty over 10 years | 50% EHP | 100% EHP from 1.4.2021 (i.e. 200% council tax payable from 1.4.2021) 200% EHP from 1.4.2022 (i.e. 300% council tax payable from 1.4.2022) 300% EHP payable from 1.4.2023 (i.e. 400% council tax payable from 1.4.2023) |

3.2 **Unoccupied and Unfurnished**

- 3.2.1 The proposal is to reduce the period of the 100% discount from 6 months to 3 months.
- 3.2.2 The proposal that went out to consultation was to reduce the period of 100% discount from 6 months to 28 days.
- 3.2.3 There have been many consultation responses particularly from Landlords who felt that the proposed 28 day period would not be a sufficient period for them to relet a property. Many also raised the point that Landlords are required to bring properties up to EPC standards and that the proposal for 28 days did not allow a period long enough to reflect the refurbishment work needed.
- 3.2.4 Taking the consultation responses into account it would seem reasonable to allow a 100% discount for up to 3 months.
- 3.2.5 Empty properties Owned by charities would not be affected by this proposal. Class B of the Exempt Dwellings Order 1992 provides that Empty properties owned by a charity are exempt for up to 6 months from the date that the last resident vacated, provided that the property was being used for the purposes of the charity up to the date the last occupier moved out. After six months the full council tax charge is due. In order to qualify for Class B Exemption a housing association must provide confirmation of charitable status by HMRC & that they are registered on the FCA Mutuals Register either as an Industrial & Provident Society or under the Co-operative and Community Benefit Societies Act 2014. The exemption applies whether or not the property contains furniture.
- 3.2.6 Statutory discounts would continue to be applied before this discount, for example discounts relating to property where grant of probate is awaited and for six months once probate has been granted.

3.3 Major Repair/ Structural Alteration

- 3.3.1 SLDC currently offers 100% discount for up to 12 months for properties undergoing structural alteration or are requiring or undergoing major repair work to render them habitable. The discount applies whilst the property remains unoccupied and unfurnished and it is less than 6 months since the work completed. The Legislation allows authorities to vary the level of discount offered however the period of the discount must be for 12 months and cannot be varied.
- 3.3.2 Should the discount be removed properties that are undergoing work would still be able to apply for the Unoccupied and Unfurnished discount. However it should be noted that the Unoccupied and Unfurnished discount applies from when the property first became vacant. Therefore if the property has already been empty prior to a council tax payer purchasing or renting the property they would only be entitled to the remaining period (if any) of the Unoccupied and Unfurnished discount. Similarly if the property was already subject to a Premium, removing this discount would mean that any new Council Tax Payer would have to continue to pay the Premium during any period of work.
- 3.3.3 Overall the majority of consultation responses opposed the proposal to remove the discount. However, the impact of this change needs to be considered against the overall cost of issuing this discount overall and the proposal still appears to be a fair reflection of the limited financial saving through reducing council tax compared to the overall costs of renovation and repairing properties. There may be a small number of homeowners who may struggle to pay council tax in these circumstances if the discount were withdrawn but the Council's hardship relief policy would be available

3.4 Council Tax Premium

- 3.4.1 The proposals were broadly supported in the consultation exercise so there are no changes to the proposals approved by Cabinet on to this.
- 3.4.2 If these proposals are approved all Owners of properties that are currently empty will be written to advising them of the changes, ahead of the new year's Council Tax bills being issued.
- 3.4.3 The Council would also need to publish details of the changes in the local newspaper.

4.0 Consultation

- 4.1 These proposals are made in consultation with the Council's Empty Homes Officer and Finance Lead Specialist (Section 151 Officer). Officers have contacted colleagues in neighbouring Authorities for their experience of revising their discounts and premia and reviewed discounts and premia are in place elsewhere.
- 4.2 The original proposals have been before informal Cabinet and Cabinet and went out to public consultation from 26th November 2020 for 6 weeks.
- 4.3 All Owners of Empty dwellings were written to advising them of the proposals and of the consultation so it is not surprising that the majority of the responses are from the Owners of Empty properties.
- 4.3 Any taxpayers who will be facing increased bills from 1.4.2021 following the final decision will be written to detailing the changes and this will give them time to mitigate against any increased costs.
- 4.4 A couple of consultation responses were raising concerns about Deceased Estates being affected by the proposals. Class F of the Council Tax (Exempt Dwellings) Order 1992 provides that an Exemption from Council Tax applies to properties that have been unoccupied since the date of death

5.0 Alternative Options

5.2 Unoccupied and Unfurnished

- 5.2.1 The discount can be removed altogether, or awarded for a specified period of up to the 6 month period currently offered by SLDC.
- 5.2.2 To remove the discount altogether would disadvantage residents moving between properties, particularly those in rented properties as there is often a slight overlap in tenancy dates. If the discount was removed altogether they would incur a council tax charge for this period of the overlap and this would lead to a rise in complaints and perhaps non-payment. Often we are given conflicting dates relating to moves in and out and by retaining a discount period of up to one month this should cover any such cases and avoid bills being issue for a period of a day. It was also felt reasonable to allow a short period of discount to allow landlords time to find new tenants before incurring a council tax charge but that leaving the period of discount at 6 months reduces the financial incentive for the property to be reoccupied.

5.3 Major Repair/ Structural Alteration

- 5.3.1 Should a discount be offered it must be offered for the full 12 month period, however the discount can be set at an amount between 0% and 100%. An alternative would be to retain the current level of 100% discount or reduce the amount to say 50%. By offering 100% discount there is no financial incentive for the property to be reoccupied and there is an administrative cost in dealing with the applications for discount. If a lesser amount was offered that may be received better by taxpayers who are undertaking works to their properties, however the administrative cost would remain the same irrespective of level of discount offered.
- 5.3.2 It is also anticipated that should the proposal to reduce the unoccupied and unfurnished discount to three months be approved there would be an increase in applications for the major repair/structural alteration discount. .

5.4 Premia

- 5.4.1 The level of premium charged could remain at 50%. This is not recommended as it does not deliver the same level of deterrent for keeping a property empty as the proposals.

6.0 Links to Council Priorities

- 6.1 It is expected that these proposals will encourage owners of empty properties to make them available for housing, either by putting them up for sale or rent, thereby increasing housing across the district.

7.0 Implications

Financial, Resources and Procurement

- 7.1.1 The total amount of council tax collectable is based on the total number of dwellings in the area, adjusted for premiums, discounts, exemptions and reductions including the Council Tax Reduction Scheme (CTRS). Some discounts and exemptions are related to the property (such as empty properties), the number or type of occupants (such as single person discounts or student exemptions) and some, such as CTRS or disabled discounts, relate to the personal circumstances of the occupants.
- 7.1.2 It is estimated that the discounts on unoccupied and unfurnished properties and properties undergoing major works reduce the council tax collectable by £509,000 per year. Under the proposals in this report the total cost of discounts will reduce to £29,000 per year.
- 7.1.3 It is estimated the total premium generated on long term empty properties will be £252,000 this year. The proposed increases in the premium will increase this income

by around £0.5m for each 100% increase in premium if there is no change in use of property. The majority of this additional income would be payable to Cumbria County Council (74%), Cumbria Police and Crime Commissioner (14%). This Council will retain around 10% of the total income collected under each option.

7.1.4 This is summarised as:

| Type of discount / premium | | 2020/21 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|----------------------------|---|--------------|---------|---------|-----------|-----------|
| | | Band D equiv | £ | £ | £ | £ |
| A | Unoccupied and unfurnished Discount | 354 | 172,109 | 28,685 | 28,685 | 28,685 |
| B | Major works Discount | 173 | 337,400 | 0 | 0 | 0 |
| | Long Term Empty | | | | | |
| | - 2 to 5 years | 153 | 148,773 | 297,545 | 595,090 | 892,636 |
| | - 5 to 10 years | 49 | 47,646 | 95,292 | 190,585 | 285,877 |
| | - over 10 years | 57 | 55,425 | 110,850 | 221,700 | 332,551 |
| C | Total Long Term Empty Premium | 235 | 251,844 | 503,688 | 1,007,375 | 1,511,063 |
| A+B-C | Total council tax relating to these discounts and premia Net | 292 | 257,666 | 475,003 | -978,690 | 1,482,378 |
| | Additional council tax collectable if no change in behaviour compared to current year | | | 732,668 | 1,236,356 | 1,740,044 |
| | Additional council tax collectable split between | | | | | |
| | SLDC 199.54 | | | 75,175 | 126,856 | 178,537 |
| | Parish Councils (average) 39.05 | | | 14,712 | 24,826 | 34,940 |
| | Cumbria County Council 1440.56 | | | 542,722 | 915,827 | 1,288,932 |
| | Cumbria Police 265.59 | | | 100,059 | 168,847 | 237,635 |
| | Total 1944.74 | | | 732,668 | 1,236,356 | 1,740,044 |

7.1.5 If there is a change in the number of properties paying the long term empty charge by 50% because of a change in use of properties this would reduce the additional income from council tax as shown in the table below:

| Type of discount / premium | | 2021/22 | 2022/23 | 2023/24 |
|----------------------------|---|---------|---------|---------|
| | | £ | £ | £ |
| | Additional council tax collectable if 50% reduction in long term empty property | 480,824 | 732,668 | 984,512 |
| | Additional council tax collectable split between | | | |
| | SLDC 199.54 | 49,335 | 75,175 | 101,016 |
| | Parish Councils (average) 39.05 | 9,655 | 14,712 | 19,769 |
| | Cumbria County Council 1440.56 | 356,169 | 542,722 | 729,274 |
| | Cumbria Police 265.59 | 65,665 | 100,059 | 134,453 |
| | Total 1944.74 | 480,824 | 732,668 | 984,512 |

Human Resources

7.2 There are no direct human resources implications. There may be additional staff time to respond to queries and requests for exemptions from the premium which is

expected to be offset by the removal of the discount for major repairs and structural alterations.

Legal

- 7.3 The Local Government Finance Act 2012 set out the powers to determine further discounts for certain dwellings and the power to set higher amounts for long-term empty dwellings. Detailed provisions are set out in the Council Tax (Exempt Dwelling) (England) (Amendment) Order 2012 SI 2012/2965 and the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 SI 2012/2964. The Rating (Property in Common Occupation) and Council Tax Empty Dwellings Act 2018 set out the maximum charges for long term empty properties from 1 April 2019 onwards.
- 7.4 The Council has carried out a consultation and this report brings together the views of those who have provided feedback. The consultation responses will be considered before final decisions are made.

Health, Social, Economic and Environmental

- 7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? Yes (attached at Appendix 2)

Equality and Diversity

- 7.5 Have you completed an Equality Impact Analysis? Yes (attached at Appendix 3)

Risk

| Risk | Consequence | Controls required |
|---|--|--|
| Reductions in discounts may cause hardship to some council tax payers | Insufficient finances could put some family members at risk. | Council tax hardship scheme is available |
| Increase in premium on long term empty property may cause hardship to some council tax payers | Financial hardship | Statutory and local exemptions will continue to apply where the property is unoccupied due to caring responsibilities, for example. The premium is intended to encourage sale or reuse of properties. A local exemption applies if the property is genuinely on the market for sale or to let or occupation is hindered due to legal reasons as set out in Appendix 2. |
| Properties are furnished to become eligible to be second homes rather than empty homes. | Reduction in income due | Visiting officers confirm the status of properties where the Council is notified their status has changed from empty to second homes. |

Contact Officers

Elaine Conway, Lead Specialist (Revenues), 01539 793225. E.conway@southlakeland.gov.uk

Appendices Attached to this Report

| Appendix No. | Name of Appendix |
|--------------|--|
| 1 | Summary of consultation responses |
| 2 | Health, Social, Economic and Environmental Impact Assessment |
| 3 | Equality Impact Analysis |

Background Documents Available

| Name of Background document | Where it is available |
|---|---|
| The Local Government Finance Act 2012 | https://www.legislation.gov.uk/ukpga/2012/17/contents |
| The Council Tax (Exempt Dwelling) (England) (Amendment) Order 2012 SI 2012/2965 01st April 2013 | https://www.legislation.gov.uk/uksi/2012/2965/contents/made |
| The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 SI 2012/2964 - 1st April 2013 | https://www.legislation.gov.uk/uksi/2012/2964/regulation/2/made |
| Rating (Property in Common Occupation) and Council Tax Empty Dwellings Act 2018 | https://www.legislation.gov.uk/ukpga/2018/25/crossheading/council-tax-in-england/enacted |
| The Council Tax (Exempt Dwellings) Order 1992 | https://www.legislation.gov.uk/uksi/1992/558/contents/made |
| Report to Cabinet 25.11.2020 | https://tinyurl.com/y4bkcln9 |

Tracking Information

| Signed off by | Date sent | Date Signed off |
|---------------------|------------|-----------------|
| Legal Services | 21/01/2021 | 22/01/21 |
| Section 151 Officer | 21/01/2021 | 22/01/21 |
| Monitoring Officer | 21/01/2021 | 22/01/21 |
| CMT | N/A | N/A |

| Circulated to | Date sent |
|---------------------------------|------------|
| Lead Specialist | N/A |
| Human Resources Lead Specialist | N/A |
| Communications Team | N/A |
| Leader | N/A |
| Committee Chairman | N/A |
| Portfolio Holder | 21/01/2021 |
| Ward Councillor(s) | N/A |
| Committee | N/A |
| Executive (Cabinet) | 03/02/2021 |
| Council | 23/02/2021 |