

Report for:	BUCKINGHAMSHIRE SHADOW EXECUTIVE
Meeting Date:	23 July 2019

Title of Report:	Harmonisation of Council Tax Discounts and Premiums
Responsible Officer or Relevant Member:	Richard Ambrose – Bucks CC
Officer Contact:	Richard Ambrose rambrose@buckscc.gov.uk
Recommendations:	<ol style="list-style-type: none"> 1. Unoccupied and substantially unfurnished properties (Class C) to receive a discount of 100% for one month, with an estimated annual saving of £214,000. There will also be a minimum occupation period of 12 weeks before another discount can be awarded. 2. Unoccupied and substantially unfurnished property which is empty due to it requiring structural alterations or major repairs to make it habitable (Class D) – 50% discount (these properties will receive a class C discount as above) with an estimated annual saving of £25,000 3. Second Homes – 10% Discount, with an estimated additional annual cost of £91,000 4. Long Term Empty Premiums – should be charged at the maximum levels allowed by Legislation as follows: <p style="margin-left: 40px;"><u>From 2020/2021</u></p> <p style="margin-left: 40px;">Where a property has been empty for more than 2 years but under 5 years a premium of 100% to be charged. (Equivalent to 2 x Council Tax)</p> <p style="margin-left: 40px;">Where a property has been empty between 5 years and 10 years a premium of 200% to be charged (Equivalent to 3 x Council Tax)</p> <p style="margin-left: 40px;"><u>From 2021 onwards</u></p> <p style="margin-left: 40px;">Where a property has been empty for more than 2 years but under 5 years a premium of 100% to be charged. (Equivalent to 2 x Council Tax)</p> <p style="margin-left: 40px;">Where a property has been empty between 5 years and 10 years a premium of 200% to be charged (Equivalent to 3 x Council Tax)</p>



	Where a property has been empty over 10 years a premium of 300% to be charged (Equivalent to 4 x Council Tax)
Corporate Implications:	Financial implications are included in the report and should be considered in conjunction with the overarching summary accompanying the 3 reports being considered by the Executive
Options: (If any)	The various options available are included in the report
Reason: (Executive only)	The options recommended meet the policy aims detailed in the report

1. Purpose of Report

To agree the policy as set out in this report to take effect from April 2020

2. Executive Summary

The Shadow Authority will need to determine whether Council Tax discretionary discounts are awarded in respect of empty properties, whether any discount is awarded in respect of second homes and also whether a premium is charged on long-term empty properties. The District Councils in Bucks currently operate different levels and periods of discount for empty properties and it is recommended that these are harmonised to take effect from 1 April 2020. This report details the current position throughout the county and likely costs / savings associated with harmonising charging arrangements for empty properties.

3. Harmonisation

Policy aims

The aims of this policy are:

- To be broadly cost neutral
- Encourage empty properties to be brought back into use
- Incentivise owners of empty properties requiring structural alterations to carry out works to make them habitable

Background and Issues

Prior to April 2013, a Council Tax exemption would be awarded in respect of the following:

- A 100% exemption would be awarded (for a maximum period of up to 12 months) if the dwelling was empty due to the fact that it required structural alterations or major repairs to make it habitable
- A 100% exemption would be awarded (for a maximum period of up to 6 months) if the dwelling had become empty and unoccupied

The Local Government Finance Act 2012 revoked the above exemptions and replaced them with discretionary discounts from April 2013. The Act also introduced powers allowing Councils to charge up to 100% of the Council Tax in respect of second homes, and to charge a 50% premium in respect of dwellings which have been unoccupied and unfurnished for at least two years. The legislation was introduced to provide Councils with greater discretion over the awarding of certain Council Tax discounts and enable them to raise additional revenue.

Each District Council then agreed and in some cases subsequently amended its policy for discounts and premiums and the current position for each authority is shown below. The approximate number of properties in each category is shown in brackets

	AVDC	CDC	SBDC	WDC
Unoccupied and substantially unfurnished (Class C)	1 month (323)	1 month (89)	1 month (112)	60 days (265)
Unoccupied and substantially unfurnished requiring major repairs (Class D)	50% discount for 12 months (184)	No discount (treated as Class C) (0)	No discount (treated as Class C) (0)	100% discount for 12 months (133)
Second Homes	No discount (0)	No discount (0)	No discount (0)	10% discount (320)
Long Term Empty Premiums	50% after 2 years (49)	No premium (0)	50% after 2 years (150)	100% after 2 years (205)

As the schemes within each district area currently vary, the effects of the recommendations above will be different throughout the county. The discount policy for empty homes can be used to support corporate aims to bring empty properties back into use. Maximising the amount payable is an incentive to an owner of a property to bring it back into use quickly. There is also financial incentive through the New Homes Bonus (NHB) scheme that rewards local authorities for growth in the Council Tax base. Growth is reduced by the number of empty properties that have been empty for more than six months. Therefore there is a strong incentive in keeping the number of empty properties that have been empty for more than six months to a minimum.

The following is a brief summary of the different effects throughout the county

Class C – Unoccupied and substantially unfurnished

With regard to standard empty properties (Class C), 3 of the existing 4 authorities currently offer a 1 month discount with only Wycombe DC providing a longer period (60 days). Between 2013 and 2018 both South Bucks and Chiltern offered 3 months however this was reduced to 1 month from 1 April 2018 and met with very little reaction. This change increased Council Tax income.

Reducing the Class C discounts from 60 days to 1 month may impact some landlords in the Wycombe District as they will pick up a charge when there are delays in finding new tenants. However this change ensures equality throughout the area.

Some other Councils have taken the decision not to award a discretionary discount at all in respect of empty properties. However, available anecdotal information suggests that this results in increased administration costs as the Council is faced with having to recover small debts which may not be cost effective to collect. It is believed that a 1 month discount strikes a reasonable balance that gives some flexibility to landlords/owners to find new tenants without creating small uneconomical debts.

It should be noted that Housing Associations may still be eligible for a 6 month period of no council tax charge whilst a property is empty between tenants as the relevant properties would be eligible to qualify for a council tax class B exemptions (if they are set up as a charity).

The effect of harmonisation by offering as 30 day Class C discount for unoccupied and substantially unfurnished properties is estimated as a saving of approximately £214,000 p.a. It should be noted that Housing Associations may still be eligible for a 6 month period of no council tax charge whilst a property is empty between tenants as the relevant properties would be eligible to qualify for a council tax class B exemptions providing they are a charity.

Class D – Unoccupied and substantially unfurnished requiring major repairs

Currently within Chiltern and South Bucks, properties such as these are treated in the same way as Class C properties and receive the standard Class C discount for Wycombe and AVDC however offer a discount of up to 12 months for properties undergoing major repairs. Aylesbury offer a 50% discount, whereas Wycombe offers 100% discount.

Class D discounts are awarded when properties are being renovated to bring them back into use. Typically this is where individuals buy a property to renovate it, or where an accident has occurred (such as fire or flooding) requiring extensive repairs and this discount supports residents at this difficult time

Retaining some level of discount (50% for 12 months) is seen as an incentive for owners of empty properties that are unfit for habitation to bring properties back into use and to support residents at a difficult time. It is also seen as beneficial for landlords to carry out improvements thus improving the quality of the housing stock.

It is estimated that a harmonised 12 month discount will make savings of approximately £25,000 and it is recommended that a 50% discount of up to 12 months should be awarded.

Second Homes

Currently only Wycombe district grants a discount for second homes. Second homes (which are furnished) help to maximise New Homes Bonus for the time being (the NHB funding may change in the future). Experience in Wycombe has shown that customers are more likely to tell the Council that their unoccupied properties are furnished if there is a financial incentive for them. The 10% second home discount provides this incentive. For Wycombe DC an average Band D would deliver a total New Homes Bonus of approximately £1,100 for one year compared with the cost of providing the 10% discount of approximately £178 per property. It is therefore recommended that the 10% discount is adopted by the new authority. This will benefit residents in existing CDC, SBDC and AVDC areas. It is estimated that the additional cost of awarding a 2nd home discount of 10% would be approximately £90,997.

Long Term Empty Premiums

Currently all apart from Chiltern DC charge a premium for long term empty properties (empty over 2 years). Legislation was passed in 2018 allowing a premium of 100% to be charged

from 1 April 2019. So far Wycombe are the only district within the county to adopt this. The legislation also allows for higher premiums where a property has been empty for between 5 and 10 years (from 2020) and over 10 years (from 2021). The rationale for charging the highest level of premium is to encourage empty property to be brought back into use hopefully increasing the availability of accommodation within the county.

Empty premium charge could potentially generate additional income estimated at up to £532,000 in 2020/21, however this figure should be treated with caution as taxpayer behaviour could change which could significantly vary this figure.

Financial implications

It is difficult to predict the overall financial impact from the recommendations as taxpayers behaviour may change once changes are introduced. In particular potential future income from an increase in the long term empty premium should be treated with caution. The following estimated have been calculated as an illustration of the possible changes, calculated using 2018/19 District data:

Estimated Harmonisation impacts					
	Unoccupied and substantially unfurnished (Class C)	Unoccupied and substantially unfurnished requiring major repairs (Class D) 50% for 12	2 nd Home discount (10%)	Long Term Empty Premium Potential maximum additional income in 2020	Net cost
AVDC	£0	£0	£18,700	£84,000	£65,300
CDC	£0	£86,000	£42,300	£239,000	£110,700
SBDC	£0	£61,000	£30,000	£143,000	£52,000
WDC	£214,000	£172,000	£0	£66,000	£452,000
Total cost (+) saving (-)	£214,000	£25,000	£91,000	£532,000	£680,000

Conclusions

The recommended level of discounts and premiums for the Buckinghamshire Council are summarised in the table below

Unoccupied and substantially unfurnished (Class C)	1 calendar month
Unoccupied and substantially unfurnished requiring major repairs (Class D)	50% Discount for 12 months
Second Homes (furnished)	10% discount

Long Term Empty Premiums	100% after empty for 2 years 200% after empty for 5 years 300% after empty for 10 years (from April 2021)
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4. Consultation

Not Applicable.

5. Next Steps

- This report will be shared with the Chairs of other Boards for awareness
- Systems and processes will be amended to enable the changes to be implemented for 1 April 2020.

Background Papers	None.
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