

Draft Consultation report: Proposals for change to Council Tax discount and exemptions

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1. Executive Summary

The government has been carrying out a review that will increase flexibility in local government. One of these increased flexibilities is for Councils to decide their own levels of Council Tax discounts for second homes and empty properties. There is also a new power to set an additional amount of Council Tax for properties that have been empty for at least two years.

2. Introduction

Council Tax bills can be reduced in certain situations, for example if a property is empty and unfurnished, or on second homes. From April 2013, the government is allowing Local Authorities to change some of these discounts and exemptions locally.

The consultation document described Brighton & Hove City Council's proposed changes and asked for the opinions of individual affect by the change as well as the general public.

3. Methodology

The consultation was available on the Council's consultation portal from 7 August 2012 to 7 September 2012. We invited contributions by emailing details to different interested parties and groups, for example registered social landlords and private landlords. A press release alerted the local media to the debate and we understand that the story was carried in one South East Today bulletin. There was also discussion in the Argus letters page concerning second homes and we wrote to people who currently had a second home discount to invite them to participate. We also asked the Community Voluntary Sector Forum to disseminate the information and links to their members.

4. Respondents profile

As part of the questionnaire respondents were asked in what capacity they were responding (see fig x below). Respondents were able to select more than one category. Only two thirds of respondents (167 people, 67%) completed this question.

Type of respondent	Number of respondents	Percentage of respondents
A resident of Brighton & Hove	82	49%
Owner of / responsible for a second property in the city	97	58%
Owner of / responsible for a second property outside of the city	2	1%
Private sector landlord	19	11%
Register social landlord	1	1%
Property agent	1	1%
Property developer	2	1%
A representative of a voluntary or community group	2	1%
Other	6	4%
Total	212	

Base: All respondents who answered the question (n=136)

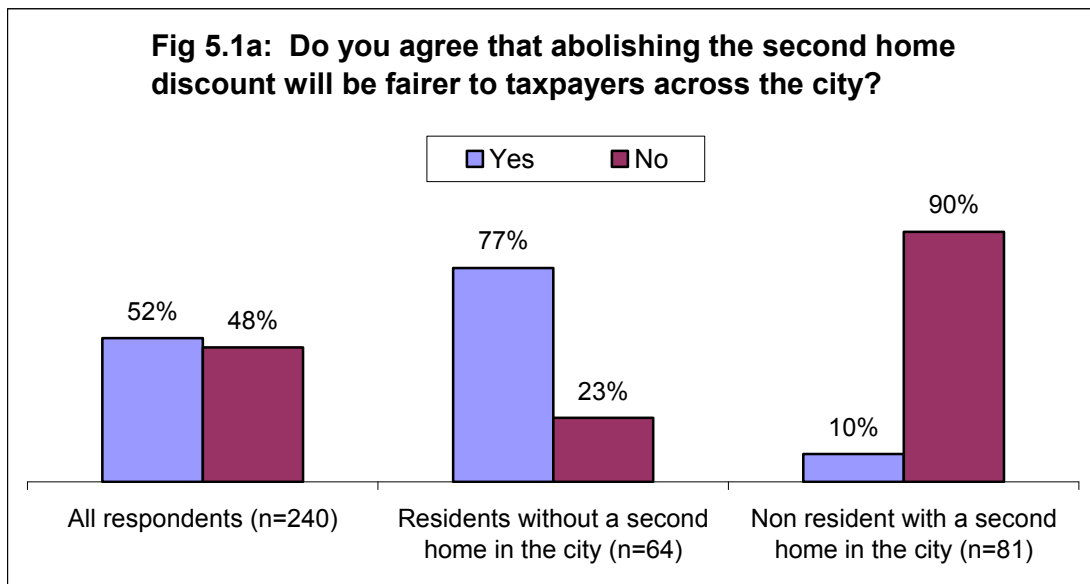
5 Results and findings

There is no way accurately gauging whether respondents are representative of resident in the city therefore care should be taken when interpreting these results.

Responses to all questions from the survey have been analysed by the different respondent types. Where there is significant different to the overall responses this will be highlighted within the report. Where there is no difference no mention will be made.

5.1 Proposals to remove 10% second home discount.

Currently, those responsible for a second home in Brighton & Hove get a 10% discount on their Council Tax bill. The council is proposing removing this discount and requiring all those responsible for a second home in the city to pay the full council tax on their second property. Respondents were asked if they agreed that abolishing the second home discount was fairer to taxpayers across the city and for any comments about the removal of the second home discount.



Among all respondents, there was a split about whether abolishing the second home discount was fairer, with 52% agreeing and 48% disagreeing (fig 5.1a above). However, there is a clear difference between those respondents who are residents of the city and those who are not. 90% of respondents who have a second home in the city but who are not residents disagreed with the proposal while 77% of residents with out a second home in the city agreed.

Just over a half of all respondents (136 people, 55%) made comments about the removal of the second home discount and these are summarised in fig 5.1b below.

Nearly a third of comments made were from respondents who disagreed with the removal of the discount. The majority of the comments related to second home owners not permanently living in the city so therefore not using as many of the services provided by the council, and that when visiting the city they make a significant contribution to the local economy by spending money in local retailers and eateries.

“It is totally outrageous that you are proposing this change especially as not so long ago a 50% (fair) discount was given. My wife and I use our 2nd home in the City twice a week and do not make use of the many services provided by the Council. In fact we usually take any rubbish home with us so we hardly use the refuse service. We also bring revenue to local businesses by using theatres, restaurants, pubs, shops, etc”

Fig 5.1b: Is there anything we have not considered or any further comments you'd like to make about the removal of the second home discount?

Comments group by theme	Number of additional comments	Percentage of all respondents who made comments
<p>Do not agree with the removal of discount – Use less resources / pay for services used. This makes Council Tax a property tax rather than payment for services. Second/holiday home owners only use facilities occasionally so should get discount. People should pay Council Tax based on the amount of service use. Other home might be in same Council Tax area, so shouldn't pay full amount twice for services used once. Some "second homes" are just annexe/adjoined flat for one owner's use. Need a balance of population or all would be heavy users of services.</p>	81	60%
<p>Do not agree with the removal of the discount - Bring social and economic benefits to the city Should get discount. Second/holiday home owners are stakeholders in the City. Some people have legitimate reason for second home e.g. work/children's education. They might use property for large proportion of time. When in residence, they spend in the City/benefit City/are pivotal to the economy of the City. This will put people off buying or make them sell up second homes or change use e.g. to student lets.</p>	39	29%
<p>Second/holiday home owners should not get discount/they should pay more. If they can afford two homes, they can afford more Council Tax.</p>	17	17%
<p>If paying full Council Tax, should get same rights e.g. parking rights/permits, bus passes for children/older people.</p>	16	12%
<p>They should pay more/all in one lump sum to discourage leaving properties empty for large parts of the year/improve occupancy/reduce pressure on others who can afford less.</p>	6	4%
<p>Full Council Tax should mean the ability to vote in local elections. Taxation without full representation is unfair.</p>	4	3%
<p>Should not have to pay full Council Tax if actively trying to sell second property e.g. dead person's estate or moving to Brighton but unable to sell first property elsewhere.</p>	3	2%
<p>Single person occupancy rule should still apply</p>	3	2%
<p>This will make landlords increase their rent to cover the potential difference.</p>	1	1%

Base: All respondents who made comments (n=136)

Another issue highlighted by those opposed to the removal of the discount was the belief that if second home owners have to pay full council tax this should allow them to have equal rights with other residents and have access to parking permits and be able vote in local elections.

Among those who agreed with the removal of the second home discount the reason given by half of those who commented related to the perceived wealth of the second home owner: 'if someone can afford two homes then they can afford more council tax'.

5.2 Proposals to introduce a long term empty property premium.

In order to reduce the number of long term empty properties in the city the council is proposing a 50% premium on top of the standard council tax for properties that have been empty for a minimum of two years. Respondents were asked if they agree that this 'long term empty premium' would act as an incentive for owners to bring their empty properties back into usage more quickly and for any comments they had about the proposal.

Fig 5.2a: Do you agree that a Long Term Empty Premium would act as an incentive for owners to bring their empty properties back into usage more quickly?		
	Frequency	Percentage of respondents
Yes	169	73%
No	64	28%

Base: All respondent who answered the question (n=233)

Nearly three quarters of respondents (169 respondents, 73%) agreed that the long term empty premium would act as an incentive for owners to bring back empty properties (fig 5.2a) into use.

A third of respondents (79 people, 32%) made comments about the proposed changes (fig 5.2b below). More comments were made by respondents who disagreed that the premium would have the desired effect, than were made by those who agreed.

Only around a fifth of comments (16, 20%) were about whether the premium would help reduce the number of empty properties; all with the view that this was unlikely. Respondents thought that the premium was too small, that two years was too long before the premium should be paid or that there should be positive incentives rather than penalties.

“I don't think the premium will encourage properties to be brought back into use more quickly. However I do agree with the premium and think it should be charged. I believe empty property end up costing the city and its resident's money”

The majority of comments were about the rights and wrongs of properties being left empty and or being charged council tax and the definition of 'empty property' used in the proposal.

“Yes this is only subject to there being discretion to the application of this premium so that it is only applied to those who are actively keeping a property empty even when they have been made aware of the need and help to get it occupied. There are however many reasons for empty properties and it would be unfair if it were applied to those who are stuck with an inability to sell or stuck in legal wrangling for example upon the death of the owner etc”

Fig 5.2b: Is there anything we haven't considered or any further comments you'd like to make about the Long Term Empty Premium?		
Comments group by theme	Number of additional comments	Percentage of all respondents who made comments
<p>Do not agree with the premium – legitimate reason for property being empty Should not/cannot charge more than 100%, even if long term empty. Rather autocratic/telling people what they can/can't do. Some may have good reason e.g. inability to sell or stuck in legal wrangling following death or owner in care home unwilling to sell. May have had to leave their home for health reasons or to look after someone who lives elsewhere. May take 2 years plus for major refurbishment and put people off.</p>	37	47%
<p>There should be a charge for leaving a property empty for a long time. Should make it more/lump sum. Empty properties end up costing City more. No excuse for long term empty properties.</p>	20	25%
<p>Premium will not reduce number of empty property Unlikely to affect owners incapable of paying or wealthy enough not to be concerned. Not sure that 50% extra would be a deterrent to leaving properties empty. Would not encourage properties to be brought back into use more quickly. Incentives are not usually based on a penalty. Need incentive for owner to sell. Property market is the main driver, not the Council Tax.</p>	12	15%
<p>Will or maybe problems with the administration of the premium Need definition of empty properties. Need to be sure property empty/keep accurate records. Some second homes may be interpreted as empty when actually part of main home or in use. What about people working away from home for long periods? Couldn't people just live there 1 week a year? How is this to be enforced? What about properties on the market too long?</p>	8	10%
<p>Minimum of 2 years empty seems too long. Make it 1 year.</p>	4	5%
<p>Should use extra income as grants/loans for renovating empty properties. Owners should be loaned funds for renovations.</p>	3	4%
<p>Properties left empty for too long should be seized/compulsorily purchased and used for social housing or sold.</p>	3	4%
<p>Should apply to; completely abandoned and unused properties, commercial buildings if left empty on purpose, business owners, property developers, repossessions.</p>	3	4%
<p>What about all the Council's empty properties? Local authority housing should be reallocated / refurbished.</p>	2	3%
<p>Does new owner of previously empty property get a full 2 years before 50% premium applied?</p>	1	1%

Base: All respondents who made comments (n=79)

5.3 Proposal to keep existing arrangements for properties undergoing repair or structural alteration (known as 'Class A exemption')

Currently if a property is undergoing repair or structural alteration there is a full 100% exemption for a maximum of 12 months or six months after work is complete. The proposal is to keep this exemption, in part because of the added cost for developers and the current economic climate. Respondents were asked if they agreed with the proposal to keep the Class A exemption and if the right balance had been struck between raising revenue and supporting development in the city.

Fig 5.3a: Do you think that the council should keep the current criteria for properties undergoing structural alteration or repair?		
	Frequency	Percentage of respondents
Yes	190	84%
No	37	16%

Base: All respondent who answered the question (n=227)

More than eight out of ten respondents (190 people, 84%) agreed with the proposal to keep the Class A exemption (fig 5.3a above). 22 out of 23 property agent/developer and private/social landlord agreed with the proposal.

Only 17 respondents made comments about the proposal and these are summarised fig 5.3b below.

Fig 5.3b: Is there Anything we haven't considered or any further comment you'd like to make about the 'Class A' discount?	
	Number of additional comments
Not available for: Property developers/large corporate should not get discount. Only for structural repairs of private/family home. Houses undergoing structural repairs put additional pressure on local resources/services. Should not be able to use this as loophole when properties left empty. No discount for insurance work. Only for non-essential projects like charities.	7
Should keep monitoring building works, not just on completion. Needs enforcement/penalties for delays. Need checks to make sure nobody living there while "repairing" it in slow motion.	3
Should keep exemption for 12 months/6 months. Need at least 6 months. Exemption helps owners afford structural alterations to upgrade properties.	3
Available for: Should be available for DIY repairs too. Should be available for new owner of property e.g. when relative dies. Should be able to have same benefits given to larger projects. Non-resident developers get advantage over resident ones.	3
Should reduce discount e.g. to 50%	1

Base: All respondents who made comments (n=17)

5.4 Proposal to introduce a 35 day maximum discount for empty and unfurnished properties (known as a Class C exemption)

Currently, it is possible to have a 100% exemption for up to six months if a property is empty and unfinished. The proposal is to reduce this to 35 days. The aim of the proposal is to;

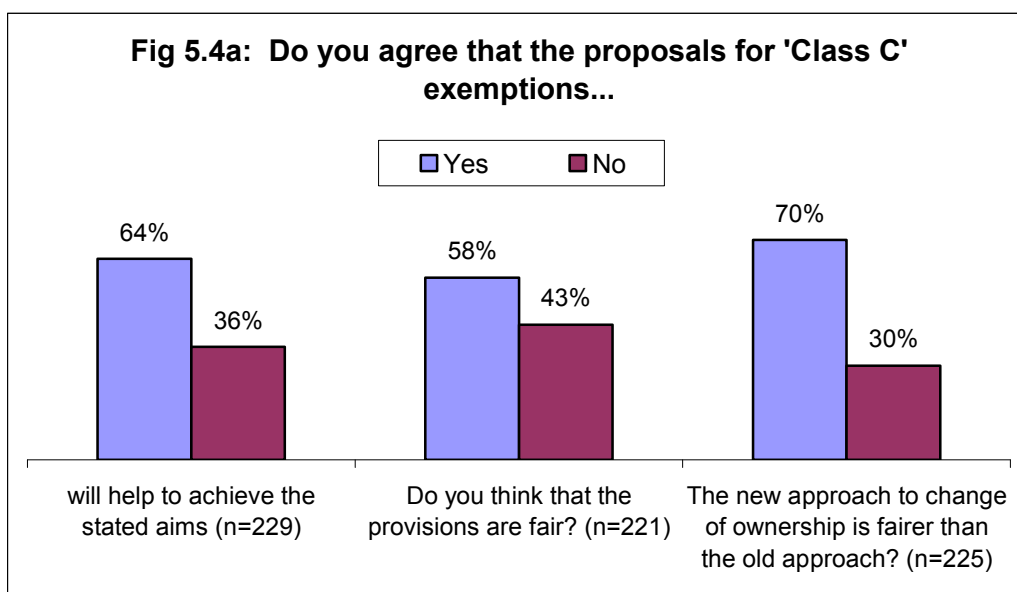
- Provide a reasonable but not excessive protection for standard gaps between occupancy
- Encourage faster turnaround times on empty properties
- Reduce the number of long term empty properties

Under the current scheme if a property changes ownership or liable party, the new liable party may not qualify for a full exemption, as the six months may have already been used up in full or part by the previous person. It is proposed that under the new rules the 35 day exemption period would start again for a new owner.

Respondents were asked if they agreed that the proposals would help achieve the three stated aims, if they thought that the provisions of the proposals are fair and if the proposed approach to change of ownership was fairer than the current approach.

From fig 5.4a below, overall;

- Two third of respondents (146 people, 64%) agreed that the proposals would achieve the three desired aims. However, only 42 of 86 (49%) second home owners in the city agreed and only 6 of 23 (26%) of private/social landlords and property agents/developers agreed.
- Nearly three out of five respondents (127 people, 58%) agreed that the proposed provisions were fair. However, only 4 out of 22 (18%) of private/social landlords and property agents/developers agreed that they were fair.
- More than two thirds of respondents (158 people, 70%) agreed that the proposed approach to the change of ownership is fairer than the current rules.



A third of respondents (92 people, 37%) made comments about the empty and unfurnished discount (see fig 5.4b below). Three quarters of respondents made comments that 35 days will be too short and highlighted why this was.

“It is quite impossible to market a property for example following the death of the occupier or due to an employment move and expect to find a buyer who can move in 35 days. Even if a buyer is found immediately the legal documentation can take up to three months. Owners of properties to let clearly have an incentive to re-let as quickly as possible in order to maintain their income. It is most unlikely that a new tenant can be found and move in within 35 days. Most let properties require a degree of redecoration, cleaning etc when the tenant moves out, following these works the property has to be marketed, references taken up for the new tenant and legal documentation completed prior to the new tenant moving in. The present six months exemption seems eminently fair”.

Fig 5.4b: Is there anything we haven't considered or any further comments you'd like to make about the empty and unfurnished discount?

Comments group by theme	Number of additional comments	Percentage of all respondents who made comments
35 days is too short. Perhaps 6/8 weeks or 3 months. Keep 6 months. Needs some discretion/flexibility. Needs an appeal system for longer. Might create difficulties for owners. Cannot sell a property within 5 weeks. More pressure on landlords to sign up new tenants quickly/not decorate. 35 days is not long enough if refurbishment needed in between lettings. Students may vacate properties in Summer for longer than 5 weeks. 5 weeks is not long enough for cases awaiting probate or for people who enter care home.	73	78%
Seems fair. Need to have clear/watertight rules. Need to be more rigorous with landlords who might exploit this. Should apply to main residence not second homes.	10	11%
5 weeks exemption to new owners will not alleviate empty properties. It will reduce new homes/increase costs of buying new homes/lead to deterioration in quality. Council must have good plan for future long term use of empty properties.	6	6%
Too complicated. Not for Council to dictate usage of private property.	3	3%
Needs to be even shorter time. Perhaps 2 weeks.	1	1%
Where the main house is occupied and the basement is not?	1	1%
Need same standards/rules applied to all house owners - council, housing associations, private landlords and individuals.	1	1%
What about imposing financial penalties on car owners who fail to use their garage/drive to park in, which leads to them always parking on the road?	1	1%

Base: All respondents who made comments (n=94)

