

<b>Subject:</b>	<b>Council Tax Property Discounts</b>		
<b>Date of Meeting:</b>	<b>5<sup>th</sup> December 2013</b> Council 12 <sup>th</sup> December 2013		
<b>Report of:</b>	<b>Executive Director of Finance and Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Paul Ross-Dale</b>	<b>Tel: 291969</b>
	<b>Email:</b>	<b>Paul.ross-dale@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE/ NOT FOR PUBLICATION**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 From 1 April 2013, the council used new statutory powers to remove second home discounts for Council Tax, along with reducing the empty and unfurnished discount from six months to six weeks. The proposals in this report seek to refine those changes with effect from 1 April 2014.
- 1.2 The proposals in this report are to reduce or remove two Council Tax property discounts. Firstly, it is proposed to reduce the 100% discount for empty and unfurnished properties from six weeks to four weeks in line with practice in neighbouring authorities. Secondly, it is proposed to remove the 10% discount for properties that are empty and intended for use as furnished lets.

**2. RECOMMENDATIONS:**

That Policy & Resources Committee recommends that Council—

- 2.1 Approves the reduction of the Council Tax discount for empty and unfurnished properties (known as the Class C discount) from six weeks to four weeks, with effect from 1 April 2014.
- 2.2 Approves the removal of the Council Tax discount for empty properties that are intended for use as furnished lets, with effect from 1 April 2014.
- 2.3 To give effect to the preceding recommendations, makes the formal determinations and decisions for the financial year commencing 1 April 2014 and subsequent financial years as set out in Appendix 1.
- 2.4 Grants delegated authority to the Director Finance & Resources to take all appropriate steps to implement and administer the preceding recommendations, including the publishing of any related data or information in accordance with statutory requirements.

### **3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The government introduced new discretion for local authorities around certain categories of property discount for Council Tax, with effect 1 April 2013.
- 3.2 The council determined that it would utilise the new powers in order to make changes to empty property discounts. Before 1 April 2013, an empty and unfurnished property could be totally exempt from Council Tax for up to six months. That amount was reduced to a maximum of six weeks, during which a 100% discount (eg nothing to pay) could be applied.
- 3.3 It is anticipated that in 2013/14 we will give approximately 18,000 six week discounts. Our analysis indicates that around 11,000 of these will only need a discount of four weeks or less and are therefore unaffected by changing to a four week discount. A further 7,000 properties will be for six weeks or more and will therefore be capped by the proposed four week rule. Of these, 5,000 are for more than six weeks, which is the current amount of discount available.
- 3.4 In Brighton and Hove, many empty periods are for a matter of days. In 2012/13, there were around 19,800 empty and unfurnished awards. 44% of cases were for 1 to 14 days and a further 18% were for 14 to 28 days. By reducing the empty property discount to four weeks, we can therefore still support 62% of applications for the entire duration of their empty period. The rest would still receive support for the first four weeks and would then have to pay full charge. Compared to the cost of providing a 6 week discount, we are likely to save around £0.257m.
- 3.5 When we introduced last year's changes, we had three aims:
- \* 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 properties

By encouraging a quicker occupation of empty properties, the policy would help to address the housing shortage in the city. It would also provide additional resources to support the council.

- 3.6 If we reduce the discount to four weeks, we would be in line with the other local authorities who have set shorter discount periods. In a sample check of 80 authorities (including all the Unitary Authorities, of which Brighton & Hove is one), 25 were offering a one month discount for 2013, and 22 had reduced their discount to zero. Our neighbouring authorities Adur, Mid Sussex and Lewes are among those who have restricted the discount to one month only.
- 3.7 When we introduced the six week discount in April 2013, we also included two further measures to support people with empty properties. Firstly, we created a local discretion to extend the discount in exceptional circumstances. We propose to keep this discretionary extended discount, up to a maximum of a further four weeks. An extension is for situations that are exceptional and not part of the standard processes that occur between lets or ownership. Examples of unusual situations could be fire or flood, whereas extensive refurbishments are inherent to

the business of running a property, so are not thought to be exceptional. The cost of this discretion is likely to be £0.075m.

- 3.8 The other measure that we will retain is supporting new liable parties with a full four week discount. In the pre-2013 rules, if a person took over a property while it was already empty, they would only be given a limited amount of exemption. For example, if the property had already attracted four months of the possible six month exemption, the new person would only be entitled to the remaining balance - a two month exemption. From 2013, when we introduced the new six week discount, we included a rule that meant if the liable parties changed, the new person would receive the new six week discount, even if a previous liable party had already had the same.
- 3.9 The 10% “furnished let” discount is awarded to properties that are empty and furnished and that are to be re-let (as opposed to unfurnished ones that are covered by the four week discount). The discount is similar to the Second Home Discount that was abolished from 1 April 2013. The 10% lasts for as long as we believe that the property is intended to be re-let. In practice, if this period lasts longer than six months, we assume that the property is not being re-let and we reclassify it as a second home, which no longer qualifies for a discount.
- 3.10 There are currently 450 furnished lets attracting the “furnished let discount”, which is currently budgeted at £0.040m in 2013/14.
- 3.11 When we changed the other property discounts for April 2013, we considered the furnished let and decided to leave it in place. Since we were continuing to support unfurnished empty properties, it made sense at the time to continue the existing arrangement for furnished empty properties. However, since applying the changes, we have been looking closely at the furnished let cases. We found that some “furnished let” situations were more like second homes, as they were not in practice being let.
- 3.12 To ensure that furnished lets are not actually second homes, we have been reviewing the cases regularly, by sending review forms to each recipient. The process involves quite a lot of administration, because we have to process each form and monitor the ones that are not returned, then make decisions about whether they are still “furnished lets”.
- 3.13 Due to the relatively low numbers of furnished lets and the high level of administration involved, we recommend that the discount is now removed.
- 3.14 There are a number of other exemptions available to help vulnerable people in certain situations. For example, if a property is empty because there has been a bereavement, the property will be fully exempt from Council Tax while waiting for probate, and for six months after probate is granted. Other exemptions exist for properties that are empty because the resident has moved away to receive personal care. See Appendix 3 for details of the other Council Tax exemptions.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 We have considered whether the six week “empty and unfurnished” discount should be removed completely, but our policy is still to encourage good

management and turnover of properties and provide some support to do that. If we remove the discount entirely, it would mean landlords and property owners are responsible for paying full Council Tax inbetween lets, even if the period of time is only a few days and the amount of tax payable is small. This would introduce a significant increase of bills into our system, which would impact on the service we provide, because we would have more queries to deal with, and more processes to follow for unpaid arrears.

- 4.2 A nominal figure of seven days could be used, but creates another set of problems. It would rule out billing for some very small debts, but would give only a very modest amount of support. Furthermore, due to the number of empty periods that exceed seven days, there would *still* be a large number of bills for small amounts (eg if a property is empty for ten days, we would have to bill for three days once the seven day discount had expired).

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 A public consultation was held via the council's consultation portal. The National Landlords Association and the Southern Landlords Association were invited to participate, along with registered social landlords. People who are currently in receipt of a furnished let discount were also contacted by letter.
- 5.2 There were 83 responses. 37 respondents (around 45%) thought that the four week discount was about right, with a further 19 (23%) thinking it should be shorter. 25 (30%) thought it should be longer and two respondents were not sure either way. Of those who wanted a longer period of discount, the most common feedback was that four weeks did not adequately reflect the time needed to turn round an empty property, and find a new tenant. There were fewer comments associated with those who said that the period should be shorter, or was about right. But several in these categories felt that this should be considered as a landlord or business cost and not be subject to a discount.
- 5.3 Regarding the "furnished let" discount, 57 (around 69%) agreed that the discount should be removed and 23 (around 28%) thought that it should remain, with three saying they were not sure. Of those who wanted the discount to remain, there was not a consistent set of reasons. However, a handful of people felt that furnished properties should be dealt with in the same way as unfurnished properties, and that they did not use the same facilities as an occupied property, so shouldn't be taxed the same way. There were few comments explaining why people thought the discount should be removed, except to say that it should.
- 5.4 Across both proposals, there were some concerns raised about situations where a property is empty due to a bereavement. It should be noted that there is a separate 100% council tax exemption for properties that are empty and awaiting the outcome of probate, and the exemption lasts a further six months after probate has been granted as long as the property is still empty.
- 5.5 The feedback has not led us to make any changes. It was already clear in the proposals we are making that we could not support every empty period, even if it takes longer than four weeks to turn a property round. However, we aim to provide reasonable support for landlords and other parties responsible for empty properties and the four week discount still covers a significant number of cases,

and partially covers the rest. Likewise with the proposed changes to furnished lets, the responses have not led us to make any changes.

## **6. CONCLUSION**

6.1 The grounds for these decisions are outlined in the sections above.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

7.1 The report is proposing a reduction in the council tax discounts given for empty and unfurnished properties and the removal of the discount for empty properties intended for use as furnished lets. These changes will provide additional resources to the council of £0.347m per annum and a breakdown of this figure is given below:

- A reduction in the class C discount from six weeks to four weeks is estimated to generate additional resources for the council of £0.257m per annum. The exact level of additional resource for 2014/15 will be reported in the final tax base calculation which will be reported to P&R in January 2014.
- The reduction in the discretionary discount from six weeks to four weeks will generate a budget saving of £0.050m per annum.
- Any financial impact of the change in liable party discount is forecast to be minimal and therefore no saving is forecast for 2014/15.
- The removal of the 10% discount for furnished lets will generate a saving of £0.040m per annum.

*Finance Officer Consulted: Heather Bentley*

*Date: 19/11/13*

### Legal Implications:

7.2 In accordance with section 67 of the Local Government Finance Act 1992, only full Council has authority to agree the recommendations in paragraph 2 of this report. The power is not delegable to a committee, sub-committee or officer.

The council's power to amend the level of council tax discount payable in respect of certain classes of property derives from section 11A of the Local Government Finance Act 1992.

The council is required to consult parties affected by the proposed changes to council tax discounts. Details of the consultation are set out in paragraph 5 above.

*Lawyer Consulted:*

*Oliver Dixon*

*Date: 06/11/13*

### Equalities Implications:

- 7.3 An Equalities Impact Assessment has been carried out. The findings were that no protected group was likely to be adversely affected. However, individuals could be affected in any group. A number of exemptions already exist in Council Tax to cover some of these situations, for example there is an exemption if the property is occupied by somebody who is severely mentally impaired. A further example is the exemption for properties solely occupied by somebody who has now moved permanently into a residential home or hospital to receive care.

It is possible that elderly residents are more likely to own property and therefore might be affected by both the reduction of empty discount, and the removal of the furnished let discount. However, this effect would be mitigated by officer knowledge of advice and support available, such as Age Concern, Adult Social Care and the Pension Service.

There could also be potential occupancy issues around properties not being suitably adapted and the time frame involved in doing so. In these instances we could consider referrals to Private Sector Housing for a disabled facility grant. We also have the option of looking at individual cases to see whether they qualify for the discretionary extension of the empty and unfurnished discount.

Sustainability Implications:

- 7.4 By supporting the gaps between tenancies with a reasonable period of discount, we are encouraging good property management, for example modernisation of facilities and improvements to energy efficiency in properties.

Any Other Significant Implications:

- 7.5 In any system there are opportunities for fraud, although most applications for discounts are genuine. The Revenues Inspectors team is a flexible resource that we can call upon to police the discount scheme. They are able to conduct property visits where we suspect that there could be abuse of the system, or just for random sample checking.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Determinations
2. Current / existing exemptions

### **Documents in Members' Rooms**

Consultation summary

### **Background Documents**

None