

## **Proposals for Council Tax Discount and Premium Scheme**

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**LEAD OFFICER:** Julie Betteridge, Executive Director  
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### **WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS?**

The proposals will generate additional income from changes to discounts on empty properties and long term empty properties. This could be used to offset the costs of the Council Tax Reduction (CTR) scheme and other budget savings the Council is required to make. The introduction of this refreshed and updated version of council tax discounts and premiums will also assist in ensuring long term empty properties, which can often contribute to the decline of local areas, will potentially become available for immediate housing use.

### **WHY HAS THIS REPORT COME TO COUNCIL?**

This report contains a key decision on approving the attached Council Tax Discount and Premium Scheme, which will be applicable from 1<sup>st</sup> April 2019.

<p><b>RECOMMENDATION:</b> The Council is asked to consider the proposals, agree the draft policy and approve.</p>
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## **1. INTRODUCTION**

- 1.1 The Local Government Finance Act 2012 contained a number of technical changes which gave councils greater freedom to vary existing discounts and exemptions from Council Tax on empty homes. These changes were effective from 1<sup>st</sup> April 2013.
- 1.2 With effect from 1<sup>st</sup> April 2016, this was amended further and Local Authorities were given the discretion to reduce the discount to zero.
- 1.3 From 1<sup>st</sup> April 2013, councils were also given the discretion to charge a premium, at a maximum allowable rate of 50%, for empty and unfurnished properties which had been empty for more than 2 years.
- 1.4 Since 1<sup>st</sup> April 2013, Copeland Borough Council has exercised its discretion and awarded discounts from Council Tax for empty homes. We have also applied a 50% premium after 2 years on empty and unfurnished properties.
- 1.5 Copeland Borough Council has awarded the following discounts and charged the additional premium in the instances below:

Type	Award	Cost (01.04.18- 07.12.18)	Properties (07.12.18)	Annual Cost 2017/18
Uninhabitable	50% discount for 12 months	74,000	75	53,610
Empty & Unfurnished	50% discount for 3 months, followed by 10% discount up to 2 years	531,000	717	518,000
Second Homes	0% discount	119,000	834	127,608
Type	Award	Income (01.04.18 – 07.12.18)	Properties	Income 2017/18
Premium Properties	50% premium (150% Council Tax payable)	248,000	392	223,545

## 2. **DISCUSSION**

- 2.1 Council Tax collected helps fund Copeland Borough Council, Cumbria County Council, Police and Crime Commissioner for Cumbria and the Parish Council Services.

The income received is split as follows:

Copeland Borough Council – 12%

Police and Crime Commissioner for Cumbria – 13%

Cumbria County Council – 75%

- 2.2 As highlighted above, £605,000 is currently being awarded in council tax discounts and the decision to award these is discretionary. This equates to a reduction in council tax revenue of £605,000. The full financial impact to Copeland Borough Council, as a result of awarding these discounts, is £72,600.
- 2.3 Copeland Borough Council proposes the following changes to the level of council tax discounts and premiums charged for empty homes:

Discount type	Existing discount	Proposed discount	Full financial impact based on estimated 01.04.18 - 07.02.18 figures	Financial impact for CBC (12%)
Uninhabitable	50% for 12 months	50% for 6 months	37,000	4,440
Empty and Unfurnished properties	50% for 3 months followed by 10% for 2 years	100% discount for 28 days	300,000	36,000
Second Homes	0% Discount	No Change	N/A	N/A

Premium	50% premium (150% Council Tax payable)	100% premium (200% Council Tax payable)	248,000	29,760
		<b>Total</b>	<b>585,000</b>	<b>70,200</b>

- 2.4 Changes to the scheme as detailed above would generate an additional £585,000 council tax income. The additional revenue available to Copeland Borough Council is 12% of this estimated figure, which is £70,200.
- 2.5 The tax base for 19/20 is calculated using the existing number of properties and discounts awarded. If the above is adopted, the reductions in discounts and increase in premium will be accounted for when calculating the tax base for 19/20.
- 2.6 For uninhabitable properties, the current discount of 50% for 12 months is considered excessive in the current climate.
- 2.7 In order to continue to offer an incentive, Copeland Borough Council proposes to alter this discount and reduce the allowable period to 6 months. The amount of discount offered will remain at 50%.
- 2.8 This is considered to be an appropriate length of time to support property owners who are carrying out extensive work to render their property habitable.
- 2.9 For empty and unfurnished properties, the current discount of 50% for 3 months with an additional 10% up to a period of 2 years is also considered excessive.
- 2.10 Copeland Borough Council proposes to alter the discount to a 100% exemption from council tax for a period of 28 days. After 28 days the full charge will become due and no discount will be awarded.
- 2.11 This award will also support the landlord community, by allowing a 100% exemption for a maximum of 28 days, which is considered to be an appropriate length of time to secure a new tenancy.
- 2.12 If the property is rendered uninhabitable between tenancies, the property owner would be eligible for the major works discount, which will allow a 50% discount for 6 months.
- 2.13 For premium properties, the decision to award a 50% premium for properties that have been empty for between 2 and 5 years (1<sup>st</sup> April 2013 to the current financial year) has been adopted by more than 290 Local Authorities. All but 3 are charging the premium at the maximum allowable 50% rate.

- 2.14 Legislation introduced in March 2018 originally contained provision for councils to double the rate of tax on properties that had been empty for 2 years or more, with effect from 1<sup>st</sup> April 2019.
- 2.15 The government has introduced an amendment to this in November 2018 - The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, which allows councils to triple the council tax on homes left empty for 5 to 10 years and quadruple it for those left empty for more than a decade.
- 2.16 These proposals could see the following premiums being charged on long term empty properties:

Properties empty between 2 and 5 years	100% EHP payable	200% Council Tax payable	<b>With effect from 1/4/2019</b>	<b>392 properties as at 7.12.18</b>
Properties empty between 5 and 10 years	200% EHP payable	300% Council Tax payable	<b>With effect from 1/4/2020</b>	<b>(81)</b>
Properties empty over 10 years	300% EHP payable	400% Council Tax payable	<b>With effect from 1/4/2021</b>	<b>(49)</b>

- 2.17 The amendment comes primarily from government to ensure that communities have the housing they need. These government proposals will provide councils with extra flexibility to increase bills and bring long-standing empty homes back into use.
- 2.18 Nationally, there are just over 200,000 homes that have been empty for 6 months or more, compared to 300,000 in 2010. This number has reduced significantly since 2013, after councils were given the powers to charge a 50% premium on council tax bills under these circumstances.
- 2.19 The government is clear that the premium must not be applied where homeowners can demonstrate that their properties are genuinely on the market for sale or rent, or in cases of hardship.
- 2.20 There are also various exemptions and no council tax at all can be charged on empty furnished properties where the single liable council taxpayer:
- has gone into care or hospital, or has gone elsewhere to provide care or receive care.
  - has left their home empty as they have gone elsewhere to study
  - has died and probate is yet to be granted

- no council tax premium is charged on empty annexes being used as part of a main property.

2.21 Under the New Homes Bonus scheme introduced in 2011, councils already have powers and incentives to tackle empty homes, as we can earn the same financial reward for bringing an empty home back into use as for building a new one. This will have a potential positive effect on the new homes bonus payments which is impacted on by reducing the number of empty properties in the area.

### **3. CONCLUSION**

3.1 The Council has taken the opportunity to review its Council Tax premiums and discounts to identify opportunities to ensure government policy and our commitment to improving our towns and neighbourhoods and our social inclusion priorities are considered in a revised approach. Section 2 sets out the proposals for revisions to the current position highlighting the costs and benefits.

3.2 Council is requested to agree and support the proposals for a new empty homes council tax discount scheme. Executive at its meeting on 15 January 2019 agreed to recommend adoption of the revised policy at Appendix A to the next Full Council.

### **4. STATUTORY OFFICER COMMENTS:**

4.1 The Monitoring Officer's comments are:

There are no legal implications arising within the report.

4.2 The Section 151 Officer's comments are: The resource and value for money considerations are contained within this report.

4.3 EIA comments: Government have undertaken an equality assessment on the opportunities it is providing to local authorities to offer premiums and discounts and these have been identified in section 2. The Council is guided by its approved equality scheme in the implementation of any premiums or discounts it sets.

4.4 Policy Framework: The Council has a corporate ambition to strengthen the way it works and this is particularly relevant to maximising income from council tax and empty properties and looking to reduce the number of empty homes by bringing pressure through increased council tax on empty home owners.

4.5 Other Consultees Comments: an internal working group has developed the proposals and shared ideas with other local authorities to identify best practice.

**5. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?**

- 5.1 There will be a temporary increase to the workload from monitoring the effect of the reduced discounts. This will be managed by the Revenues Team and overseen by the Revenues Team Leader.
- 5.2 It is anticipated by streamlining the discounts, that we will reduce the level of administration created from the queries and work generated during a 2-year period down to a 28-day period for empty and unfurnished homes. This will also be cut in half from 12 months to 6 months for uninhabitable properties.
- 5.3 Long term awards do create more work due to the requirement to review the cases throughout.
- 5.4 There is a risk in how this might impact in terms of debt recovery, as it is often more difficult to recover council tax from a property that is empty. This will be monitored as part of the monthly operational risk management activity and swift recovery action will be taken against non-payers.

**6. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?**

- 6.1 A new discount scheme for empty properties which reflects new government guidance and ensures the council is focusing on its corporate strategy of addressing empty homes as part of its town centre regeneration ambition.

**APPENDICES**

Appendix A Council Tax Discount and Premium Policy for Empty Homes (Draft) 2019

**REGULATIONS**

- The Local Government Finance Act 2012
- The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018
- The Council Tax (Exempt Dwelling) (England) (Amendment) Order 2012 SI 2012/2965 01<sup>st</sup> April 2013
- The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 SI 2012/2964 - 1<sup>st</sup> April 2013