

Cheltenham Borough Council
Council 17 December 2012
Council Tax Discounts on Empty properties

Accountable member	Councillor John Rawson, Cabinet Member Finance
Accountable officer	Mark Sheldon, Director of Resources
Accountable scrutiny committee	Overview and Scrutiny
Ward(s) affected	All
Significant Decision	Yes
Executive summary	The Local Government Finance Act 2012 introduced discretionary power allowing councils to set local discount levels on certain categories of empty properties that have previously been subject to exemptions from council tax for a limited period of time. It also included the provision to increase the level of charge on properties classed as second homes from 90% to 100%
Recommendations	<p>That Council</p> <ol style="list-style-type: none"> 1. Sets the level of discount for former class A exempt properties at 25% for the 12 month period, as detailed in table 1 2. Sets the level of discount for former class C exempt properties at 100% for the first month and 25% for the remaining 5 months, as detailed in table 1. 3. Confirm the level of discount for long term empty properties should remain at zero, as detailed in table 1 4. Sets the level of discount on properties classed as second homes at zero, as detailed in table 1

Financial implications	<p>Table 3 at point 3.3 shows the potential additional council tax that could be raised as a result of proposals in this report.</p> <p>However, it should be noted that the actual council tax collected may be lower than the figures stated as owners of empty properties may bring them back in to use more quickly.</p> <p>These changes will also impact on the Housing Revenue Account as they will apply to council owned empty properties managed by Cheltenham Borough Homes</p> <p>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>The legislative context is set out in the report.</p> <p>Contact officer: peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>None arising from this report</p> <p>Contact officer: julie.mccarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355</p>
Key risks	<p>As detailed in appendix 2</p>
Corporate and community plan Implications	<p>The proposal to reduce the level of council tax discounts in respect of empty properties as outlined on the report will support the following outcomes</p> <ul style="list-style-type: none"> • A balanced and sustainable housing market • Reducing crime and disorder
Environmental and climate change implications	<p>These changes will support the Council's strategy for bringing empty homes back in to use</p>

1. Background

- 1.1 The Local Government Finance Act 2012 makes some technical reforms to council tax giving new flexibilities for councils with regards to the level of council tax levied on second homes and certain categories of empty dwellings.
- 1.2 These changes present an opportunity to reduce the level of discounts currently awarded as a measure to help bring empty properties back in to use more quickly. They will also increase the council tax income which could help with reduction in Government funding for the council tax support scheme in 2013/2014.
- 1.3 Finance and revenue officers from all Gloucestershire districts as well as the County Council and Police have been working together to agree a countywide approach to all of the changes affecting council tax and council tax benefit from April 2013. If this can be achieved it will provide some budget certainty for all councils and mean there is a consistent approach across district boundaries.

2. Changes being proposed

- 2.1** Currently there are various categories of exemptions which apply to empty dwellings. Two of these exemption classes are being abolished and replaced with discount classes for which councils can set their own level of discount. With regard to second homes, this Council has used existing powers to reduce the discount to 10% but the new powers allow for the discount to be removed completely.
- 2.2** The table below details the current position for the classes of dwelling affected by the changes, changes in the local Government Finance Act 2012 and the discount levels it is recommended that the Council should adopt from April 2013.

Table 1 – Details of Proposed Council Tax Reforms

Current Position	Changes in Local Government Finance Act 2012 and The Council Tax (Prescribed Classes of Dwellings) Regulations 2012	Proposed changes for Cheltenham from 01 April 2013
<p>Exempt Class A</p> <p>This applies to properties in need of or undergoing structural repairs to render them habitable. The exemption can apply for a maximum period of 12 months</p>	<p>The exemption is being abolished and a new local discount class D can be set with a discount level between zero and 100%. The circumstances in which a property would fall in to this class are the same as for exemption class A</p> <p>The maximum 12 month period will apply after which properties will be classed as long term empty</p>	<p>Set the discount level at 25% for Class D</p>
<p>Exempt Class C</p> <p>This applies to properties which are unoccupied and unfurnished and awarded for a maximum of 6 months</p>	<p>The exemption is being abolished and properties which are unoccupied and unfurnished will fall in to discount Class C which can be set with the discount level between zero and 100%</p>	<p>Set the discount level for Class C at 100% for the first month and at 25% for the following 5 months to replace the 6 month period previously subject to the exemption</p>
<p>Long Term Empty Properties</p> <p>These are properties which are unoccupied, unfurnished and where no exemption category</p>	<p>The discount Class C which already applies for long term empty properties now incorporates the initial 6 month period previously covered by the</p>	<p>Confirm the discount level for Class C at zero in respect of properties which have been unoccupied and unfurnished for 6 months or more (long</p>

applies. The discount level has been set at zero since approved by Council on 1 st December 2003	exemption class	term empty properties)
Second Homes Second homes are properties which are furnished but not occupied as a main home. In accordance with current local discretionary powers the discount level has been set at the minimum level allowed which is 10%	The discount level may now be reduced to zero	Set the discount level at zero

2.3 Council only has the discretion to set the discount level. The qualifying conditions and maximum time periods which apply to the exemptions will continue to apply to the local discount classes.

2.4 A complete list of all exemptions which apply in respect of empty properties is shown in Appendix 1.

3. Tax Base and Collection Fund

3.1 If the above proposals are implemented the tax base used to set the council tax for 2013/2014 will be increased to reflect the changes.

3.2 Table 2 below shows how the changes will affect the tax base. The number of properties in each category is taken from a tax base extract on 1st October 2012.

Table 2 – Additional Tax Base due to Proposed Changes on Second Homes and Empty Dwellings

Tax Base for additional 10% charge on second homes 75% charge on former class A & C exemptions	A	B	C	D	E	F	G	H	Total
Band Proportions to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Additional 10% charge on second homes	199	212	160	98	65	32	28	3	797
Class A (75% of full charge)	20	21	39	11	11	6	5	1	114
Class C (75% of full charge)	211	214	141	71	35	21	17	1	708
Equivalent number of properties (10% on second homes, 75% on Class A, 75% on Class C)	193.15	197.45	151.00	871.30	41.00	23.45	17.05	1.80	696.20
Band D Equivalents	128.8	153.6	134.2	71.3	50.1	33.9	28.4	3.6	603.86

Gross Tax Base		603.86
Net Tax Base (98.5%)		594.80

3.3 Table 3 below shows the potential additional income that could be generated as a result of the increased tax base

Table 3 - Potential Additional Income Generated from Proposed Changes

	County (£)	Police (£)	Cheltenham (£)	Total (£)
2012/2013 Band D Council Tax	1,090.50	199.69	187.12	1,477.31
Net Tax base (98.5%)	594.80	594.80	594.80	594.80
Council Tax generated	684,633	118,776	111,300	878,709

3.4 These calculations estimate the total income that we could expect to generate based on an extract from the council tax database on 1st October 2012. For Cheltenham this could be in the region of £111,000, for the County Council £648,000 and for the Police £118,000.

3.5 A significant portion of the estimated additional income is generated from the changes to class A and C exemptions. The figures assume that the number of properties in each class is fairly consistent throughout the year. The changes being proposed will encourage owners of empty properties to bring them back in to use more quickly which would reduce the additional income being generated.

4. Impact of These Changes

4.1 Table 4 below details who will be affected by these changes

Additional 10% charge on second homes	<ul style="list-style-type: none"> • Owners of properties used as second homes either for work of leisure purposes • Landlords who let furnished properties which are treated as second homes between lets
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<p>75% charge instead of class A exemption</p>	<ul style="list-style-type: none"> • Owners of empty properties which have fallen in to disrepair • Owners of empty properties undergoing major renovation or structural repairs • Property developers converting or renovating properties
<p>75% charge instead of class C exemption where properties have been empty and unfinished for more than one month</p>	<ul style="list-style-type: none"> • Owners who move out of a property but retain ownership • Tenants who vacate properties prior to the end of their lease • Landlords of properties which are between tenancies • Owners, property developers, landlords who but can't sell or let properties

4.2 The 100% discount for the first month on former class C exempt properties will reduce the impact where properties are empty for short periods between occupations. The amount of council tax which would otherwise be raised in these cases is very small. It would not be cost effective try and bill and collect such small amounts. It would also take up valuable staff resource.

5. Reasons for recommendations

5.1 The proposed changes are part of the Government's wider agenda for localism. They give local authorities to increase the income from council tax without increasing the overall level of council tax.

5.2 Discounts and exemptions reduce the council tax base which impacts on the level of council tax set and the revenue available. The proposed changes will increase the resource available to fund local services. The County Council and Police will also benefit from the increased tax base.

5.3 The proposed changes are also intended to incentivise owners of empty properties to bring them back in to use more quickly. Bringing empty properties back in to use forms part of the calculation for the New Homes Bonus and therefore may attract further additional resources for the Council.

6. Alternative options considered

6.1 The countywide working group considered various options.

7. Consultation and feedback

7.1 Consultation has taken place with Leadership Gloucestershire, representatives from the County Council, Police and other Gloucestershire districts

8. Performance management –monitoring and review

8.1 The impact of these changes on the level of council tax income and the collection rate will be monitored closely and reported to members in budget monitoring reports.

8.2 The discount levels set will apply initially in respect of 2013/2014 and will be reviewed in advance of 2014/2015.

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Appendices	<ol style="list-style-type: none">1. List of council tax exemptions which apply to unoccupied properties2. Risk Assessment
Background information	<ol style="list-style-type: none">1. The Local Government Finance Act 2012 http://www.legislation.gov.uk/ukpga/20122. The Council Tax (Prescribed Class of Dwellings (England) Regulations 2003 http://www.legislation.gov.uk/uksi/2003/3011/contents/made3. The Council Tax (Prescribed Class of Dwellings (England) Regulations 2012 http://www.legislation.gov.uk/uksi/2012/2964/contents/made4. The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 http://www.legislation.gov.uk/uksi/2012/2965/contents/made5. DCLG consultation paper – Technical Reforms of Council Tax https://www.gov.uk/government/consultations/technical-reforms-of-council-tax

Council Tax Exemptions for Unoccupied Properties

- A** Dwellings requiring or undergoing structural alteration or major repair (maximum 12 months)
(This is being abolished and replaced with a local discount)

- B** Dwellings last occupied for the purposes a charity (maximum 12 months)
- C** Unfurnished Dwellings (maximum 6 months)
(This is being abolished and replaced with a local discount)

- D** Dwellings left unoccupied by persons detained in prison
- E** Dwellings left unoccupied by persons now living and receiving care in a hospital or care home
- F** Dwellings formerly occupied by a deceased person where probate has not been granted and for 6 months after probate has been granted
- G** Dwellings where occupation is prohibited by law
- H** Dwellings awaiting occupation by a minister of religion as a residence of office
- I** Dwellings left unoccupied by persons who have moved to receive personal care
- J** Dwellings left unoccupied by persons who have moved to provide personal care to another person
- K** Dwellings left unoccupied by the owner who has moved to become a student
- L** Dwellings which have been repossessed by a mortgage lender
(This is being abolished and mortgagees in possession will be liable for the relevant class of charge)

- Q** Dwellings left empty by a person made bankrupt and a trustee in bankruptcy is responsible
- R** Caravan pitches and boat moorings not occupied by a caravan or boat
- T** Dwellings comprised of a self contained unit which cannot be let separately from the main property without breaching planning (granny annexes)

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If there is a reduction in the number of class A and C properties the additional income may be lower than estimated	Mark Sheldon	11/12/2012	2	3	6	Accept	Monitor and review the estimated income	31/03/2014	Jayne Gilpin	
<p>Explanatory notes</p> <p>Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p>Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											