

Agenda Item 6

Chichester District Council

CABINET

3 June 2014

Council Tax Empty Homes Premium and local discount for unoccupied and unfurnished properties

1. Contacts

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2. Recommendation

That the Council be recommended:

- 2.1. That a consultation should be undertaken for the charging of an Empty Homes Premium with effect from 1 April 2015.**
- 2.2. That for the 2015-16 financial year a zero discount shall apply for unoccupied and unfurnished properties.**

3. Background

- 3.1. The Local Government Finance Act 2003 provided devolved powers for billing authorities to make decisions on council tax discounts for certain dwellings based on local circumstances, such as second homes and long term empty dwellings. Additional freedoms were added by the Local Government Finance Act 2012 (2012 Act) extending the range of discounts that can be awarded to second homes, allowing for an 'empty homes premium', and allowing charging up to 100% Council Tax for some properties that were previously exempt.
- 3.2. When setting the taxbase for the 2013-14 and 2014-15 financial years it was determined that no Empty Homes Premium should apply and that the discount applied to unoccupied and unfurnished properties was set at nil discount.

Empty Homes Premium

- 3.3. The 2012 Act gave Councils the power to impose an Empty Homes Premium of 50% on properties that have been vacant for 2 years or more meaning that the properties will be charged 150% of the charge due.

- 3.4. It was not proposed to charge the Empty Homes Premium in 2013-14 because there was a level of uncertainty about the probable gains at that time. The Government were proposing some possible exemptions to the premium and there was potential for avoidance activity which may have created resourcing issues.
- 3.5. Government have now confirmed the exemptions which are:
- The property is the sole or main residence of a person who is residing in accommodation supplied by the Ministry of Defence because of their employment.
 - The property is an annexe to a property which is being used as part of the main property.

and the anticipated resourcing issues have not materialised.

- 3.6. Bringing empty properties back into use forms part of the Council's 2013-18 Housing Strategy and the extra cost of an Empty Homes Premium may encourage owners of long term empty properties to bring them back into use.
- 3.7. Charging the premium will encourage owners to notify the Council of changes as they occur because there will be a financial benefit of doing so. Currently the charge is the same whether the property is unoccupied or not which means that keeping the council tax records accurate is very resource intensive. The most efficient way of establishing whether the property is occupied is by visiting.
- 3.8. The additional cost of the Empty Homes Premium may encourage owners to furnish them or bring the property back into use in order to avoid the premium. In both of these scenarios the property would fall to be counted as part of the calculation for the New Homes Bonus which would be financially beneficial for the council.
- 3.9. All of the other West Sussex authorities have applied the Empty Homes Premium since 1 April 2013.

Discount of up to 100% for unoccupied and unfurnished properties

- 3.10. In order to offset some of the deficit in funding resulting from the localisation the Council Tax Support scheme, the Cabinet resolved that the discount for unoccupied and unfurnished properties should be set at nil for the 2013-14 and 2014-15 financial years.
- 3.11. A public question was posed to Council on 4 March 2014, requesting that the Council 'please change its decision and instigate an exemption period between property lettings'. In response Councillor Dignum explained that the taxbase for 2014-15 had already been set but confirmed that Cabinet would consider introducing a one month grace period for the 2015-16 financial year.

- 3.12. The decision not to grant a discount had an impact on some groups of taxpayers and has resulted in disproportionate administration for some small balances. In general, the taxpayers affected are those who complete the purchase of a property but are unable to move in immediately, private tenants and benefit customers who are forced to enter into a new tenancy before their previous one has ceased, and landlords who have vacant periods between tenancies. For the 2014-15 financial year the average band D charge for 1 day is £4.08 with a band H charge rising to £8.16. In some of the circumstances described above the cost of collecting the small balances is disproportionate relative to the value of the sum due.
- 3.13. Awarding a discount would have a negative impact on the taxbase. If the cost of this is not absorbed by CDC and the other precepting authorities it will be borne by the council tax payers of the district. Additionally the Government has a policy on bringing empty homes back into use and to award a discount would not encourage owners in this regard.
- 3.14. For the 2013-14 financial year all of the other West Sussex authorities applied a discount for unoccupied and unfurnished properties with Crawley applying a 100% discount for up to 7 days and Arun applying a 50% discount for up to 6 months. The remainder applied 100% discount for up to 30 days or 1 month. For financial reasons Mid Sussex has reduced the discount to nil with effect from 1 April 2014. This demonstrates that the trend is moving away from applying a discount.

4. Proposal

- 4.1. To consider the feasibility of applying the Empty Homes Premium for properties that has been vacant for over 2 years
- 4.2. To recommend to Council that applying an exemption for unoccupied and unfurnished properties would cause an increased financial burden on CDC and the precepting authorities at a time when they are experiencing budget cuts and would be against the trend in West Sussex.

5. Alternatives that have been considered

- 5.1. To keep the current position not to charge an Empty Homes Premium. This option does not encourage owners of properties that have been vacant for 2 years or more to bring them back into use.
- 5.2. To award a discount for unoccupied and unfurnished properties for up to 14 days. It is likely that the taxpayers who will benefit from this proposal would be those who complete the purchase of a property but are unable to move in immediately and a limited number of the private tenants. The vacant period for the other affected groups generally exceeds 14 days. This proposal would only assist a minority of taxpayers and whilst it would help in the administration of accounts with small balances it would create other administration issues which would off-set the benefit.

6. Resource and legal implications

- 6.1. Based on current data it is estimated that applying the Empty Homes Premium for the financial year 2015/16 would generate an additional £109,450.00 of which CDC's share would be £10,343.00, WSCC's share would be £85,360.00 and the Police and Crime Commissioners share would be £10,365.00.
- 6.2. The estimated cost of applying a discount of 100% for up to one month for unoccupied and unfurnished properties is £245,577.00 of which CDC's share would be £23,207.00, WSCC's share would be £191,526.00 and the Police and Crime Commissioners share would be £23,256.00.
- 6.3. Currently the costs of the increased administration associated with small balances are absorbed in the day to day cost of administering Council Tax.

7. Consultation

- 7.1. Consultation with the major preceptors, stakeholders and taxpayers is recommended in connection with the possible introduction of the Empty Homes Premium. This could be included with the consultation for the 2015-16 Council Tax Support scheme.

8. Community impact and corporate risks

- 8.1. Applying the Empty Homes Premium will be unpopular with owners of long term empty properties but may encourage them to bring them back into use. This will support the Council's Housing Strategy and will provide additional New Homes Bonus receipts.
- 8.2. There is a risk that the number of properties that remain empty and unfurnished for up to one month will fluctuate and there is potential that the estimated cost may increase. The anticipated financial impact is already significant and the risk that number of discounts may fluctuate will create further financial uncertainty.

9. Other Implications

Crime & Disorder:		None
Climate Change:		None
Human Rights and Equality Impact: An equalities impact assessment will be carried out in conjunction with the consultation process.	Yes	
Safeguarding:		None

10. Background Papers

- 10.1. None