

## **Report to the Cabinet**

**Report reference:** C-030-2016/17  
**Date of meeting:** 3 November 2016



**Portfolio:** Finance  
**Subject:** Council Tax Discounts for Vacant Properties  
**Responsible Officer:** Rob Pavey (01992 564211).  
**Democratic Services Officer:** Gary Woodhall (01992 564470).

---

### **Recommendations/Decisions Required:**

- (1) That, for the financial year 2017/18, class C properties which are unoccupied and substantially unfurnished as defined under Section 11A(4A) of the Local Government Finance Act 2012 receive 100% Council Tax discount for one month only; and**
- (2) That should a dwelling cease to be vacant no further period of discount be awarded for at least two months with immediate effect.**

### **Executive Summary:**

The Local Government Finance Act 2012 contained reforms to Council Tax which provided a number of discretions for councils relating to empty properties. Since the 1 April 2013 this authority has exercised its discretion and has awarded a 100% discount on vacant properties for three months after which 100% Council Tax is payable. It is recommended in this report that the period of 100% discount be reduced from three months to one month. In addition, it is recommended that an explicit clause be added preventing abuse of the discount provision by requiring a two month period before a further period of discount can be awarded.

### **Reasons for Proposed Decision:**

The reduction of the period allowed for 100% discount on empty properties will further incentivise owners and landlords of properties to re-occupy their properties. It will also provide additional Council Tax income to this authority and other major preceptors of around £300,000 of which around £30,000 would be received by this authority.

### **Other Options for Action:**

1. To not reduce the discount from three months.
2. To reduce the discount to two months or no discount at all.
3. To not insert a clause requiring two month period before a further period of discount is awarded.

### **Report:**

1. Since 1 April 2013 this authority has utilised its discretion provided under Section 11 of the Local Government Finance Act 2012 to vary the Council Tax discounts awarded for

vacant properties. 'Vacant' is defined as unoccupied and substantially unfurnished. Prior to this date there was an automatic exemption of 6 months for vacant properties. The exemption was removed and authorities were required to set their own levels of discount. This authority determined that vacant properties would receive a 100% discount for a period of three months after which 0% discount would apply, or 100% Council Tax would be charged.

2. The way the changes affecting empty property discounts have worked is that the less discount that is awarded the more income that is retained locally. To explain this, the Government in its funding calculations assumes that all properties still in essence receive a six month discount or exemption, as was prior to 1 April 2013. Therefore, any additional income that is raised by allowing less discount which is retained locally. The incentive as far as central Government was concerned was to incentivise bringing empty homes back into use.

3. Another aspect to implementing the changes in 2013 was that although it would raise more income locally it would also increase administration costs as there was more debt to pursue and is an area of debt that is often more contested by tax payers. The changes also coincided with the introduction of Local Council Tax Support which meant many Council Tax payers received a Council Tax bill for the first time with limited means to pay. Again this increased administration costs although there were savings generated under the scheme. However, additional income from discount reduction or reduced Local Council Tax Support levels are only savings if the income is actually collected, and the additional work does not impact on the wider Council Tax collection. The full administration cost for collecting Council Tax is borne by the District Council and only 10% of the Council Tax is retained. However, the County Council pays no administration cost yet received approximately 75% of any additional income. In recognising this income and the potential for all parties to benefit from these changes there has been an arrangement in place since 2013 with the Essex County Council, Police and Fire and Rescue Services whereby the District Council receives around £110,000 per annum from these bodies to invest in additional resources to collect these additional debts. These arrangements have been successful the overall in-year collection rate has been maintained at a high level at around 98%. Since 2013 the Revenues team has been able to streamline processes and become more effective in its administration such that it is felt that, should members decide, there is more scope to reduce the empty discount further, both to further incentivise bringing empty homes back into use and raise more Council Tax income for local services. This has also contributed to the New Homes Bonus as the number of empty properties form part of the calculation.

4. As stated previously the current level is 3 months at 100% discount. The options could be to reduce the level to two months, one month or provide no discount at all. It is felt that to reduce the discount to two months would only have a marginal affect. To reduce the discount to 0% whilst potentially raising more income would result in a large number of debts for only a few days or weeks, many of which would be uneconomic to pursue, and would still create administrative cost. To reduce the discount to one month, however, would still recognise a time period for landlords to re-occupy their properties, or for short-term gaps between occupations of dwellings to occur without undue financial penalty, the raising of low-value bills and provide additional income to collect efficiently.

5. Across Essex there are a mixture of periods allowed for empty property discounts ranging from no discount awarded to a three month period, as we are currently. The level of income expected to be raised in 2016/17 for reducing the empty property discount from six to three months is £260,000. To reduce the discount to one month would raise an additional £300,000. To reduce the discount to zero would raise around an additional £100,000. One needs to remember that whilst these sums would be raised locally only around 10% of this would be retained by Epping Forest. The recommended option of reducing the discount to one month would benefit Epping District Council an additional £30,000 in income. It should

also be added that any reduction in the discount allowed would affect Epping Forest District Council and its own vacant dwellings when they arise.

6. The second recommendation in this report is intended to stop potential abuse of any discount change whereby someone moves furniture into the property so it is no longer 'vacant' and then claims a further period of discount. For example, a person could move furniture into a dwelling for a few days and claim the property is no longer 'vacant'. Whilst the property would be chargeable for those few days, if that person then moved the furniture out again it would become vacant again and a further discount could potentially apply. The principle has historically existed under Local Taxation legislation for a minimum period of occupation or furnished dwellings and an explicit provision should be inserted for our discretionary scheme. It would also be prudent to insert it into the current scheme provisions as this was not evident when the legislative changes occurred under the 2012 Act.

7. Listed out below for members information are the list of circumstances affecting empty properties that are excluded from these discount provisions as they remain exempt under Council Tax legislation:

- Unoccupied dwellings owned by a charity (up to 6 months)
- A dwelling left unoccupied by people who are in prison.
- An unoccupied dwelling which was previously the sole or main residence of a person who has moved into a hospital or care home.
- Dwellings left empty by deceased persons (6 months from date of probate).
- An unoccupied dwelling where the occupation is prohibited by law.
- Unoccupied clergy dwellings.
- An unoccupied dwelling which was previously the sole or main residence of a person who is the owner or tenant and who has moved to receive personal care.
- An unoccupied dwelling which was previously the sole or main residence of a person who is the owner or tenant and who has moved in order to provide personal care to another person.
- An unoccupied dwelling where the owner is a student who last lived in the dwelling as their main home.
- An unoccupied dwelling which has been taken into possession by a mortgage lender.
- An unoccupied dwelling where the person who would otherwise be liable is a trustee in a bankruptcy.
- Empty caravan pitches and boat mooring.

#### **Resource Implications:**

EFDC as billing authority incurs the cost of the additional administration associated with the potential changes but receives a grant from Essex County Council, Essex Fire and Rescue Service and the Essex Police and Crime Commissioner to help with the increased workload. The change would provide additional income of around £300,000 locally of which £30,000 would be retained by this authority.

#### **Legal and Governance Implications:**

The Local Government Finance Act 2012 abolished the exemption for vacant dwellings and required billing authorities under section 11A of the Act to establish its own level of discount for these properties.

#### **Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

None.

**Background Papers:**

None.

**Risk Management:**

Any changes will affect the Council Tax Base for 2017/18 and any decision would need to be made in advance of its calculation.

# Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

---

There remain exemptions from Council Tax for vacant properties where there are vulnerable situations as outlined in paragraph 6 of the report, such as those who need to move into hospital or to receive personal care. The changes would otherwise affect all owners equally and without discrimination.