

## FULL COUNCIL

13 February 2019

### REPORT OF DEPUTY CHIEF EXECUTIVE

#### COUNCIL TAX DISCRETIONS

##### 1.0 PURPOSE OF REPORT

- 1.1 To consider a number of proposed changes for discretionary aspects that impact upon charging for council tax in respect of unoccupied properties following a period of consultation.
- 1.2 To consider a proposal for council tax relief in respect of Care Leavers and to consider the development of a Care Leavers Policy.

##### 2.0 RECOMMENDATIONS

- 2.1 **Authority to remove the current 100% discount for the first month for Class C properties with effect from 1 April 2019;**
- 2.2 **Authority to introduce Council Tax Premium charges to properties that have remained empty and unfurnished as per paragraph 3.12 of the report under the Empty Homes Premium: -**
  - **100% extra (for properties empty for 2-5 years) from 1<sup>st</sup> April 2019**
  - **200% extra (for properties empty for 5-10 years) from 1<sup>st</sup> April 2020**
  - **300% extra (for properties empty for 10+ years) from 1<sup>st</sup> April 2021**
- 2.3 **Authority for the development of an Empty Homes policy with a particular focus on homes that are uninhabitable and which includes the use of Class D Council Tax Discount, the Empty Homes Premium as well as any other appropriate council services;**
- 2.4 **Authority to exempt care leavers from paying 100% council tax up until the age of 25 with effect from 1 April 2019;**
- 2.5 **A delegation to the Deputy Chief Executive in consultation with the Director for Corporate Services to finalise of the Care Leavers policy, any subsequent amendments and the signing of the relevant Memorandum of Understanding .**

##### 3.0 KEY ISSUES

###### 3.1 Council Tax Discretions

Billing authorities in England and Wales, and levying authorities in Scotland, have a range of discretionary powers over the level of council tax discount available on empty properties in their areas.

- 3.2 As of 1 April 2013, local authorities have had the discretion to provide a range of

discounts on empty properties. The powers available are summarised in the table below:

Type	Definition	Discount Range
Class A	Second homes where continuous occupancy for 28 days or more is prohibited	0% - 50%
Class B	Second homes where continuous occupancy for 28 days or more is not prohibited	0% - 50%
Class C	Properties which are "unoccupied and substantially unfurnished"	0% - 100%
Class D	Vacant properties undergoing "major repair work" or "structural alteration"	0%-100% for up to twelve months: not available six months after work completed

3.4 Of the above discounts, Melton Borough Council currently applies the following in relation to empty properties in the Borough:

- Class C: 100% discount for 1 month, after 1 month there is no discount.
- Class D: 50% discount for up to 12 months from the date the work starts. After 12 months no discount is available.

Since April 2013 the cost of these discounts has been approximately £20k per annum.

### 3.5 Empty Homes Premium

In addition to the discounts above, billing authorities in England, Scotland and Wales have also had the power since 2013 to increase council tax on properties which have been 'unoccupied and substantially unfurnished' for a long period of time. This is known as the 'empty homes premium'. At the November 2017 Budget, the Chancellor announced the Government's intention to legislate the maximum in England from the existing additional 50%. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 brought in this power with effect from the 2019-20 financial year.

3.6 Central Government introduced the empty homes premium in an attempt to dissuade property owners from allowing properties to lay dormant/unoccupied for significant periods without investment or management. These properties are known to be hotspots for anti social behaviour and can be a cause of detriment to the local amenity where allowed to fall into significant disrepair. These properties are also seen to be detrimental to encouraging a vibrant and sustainable community.

- 3.7 The 2018 Act included additional provisions covering properties that were empty for very long periods. The amendment provided for maximum additional rates of:
- Up to 100% extra (for properties empty for 2-5 years)
  - Up to 200% extra (for properties empty for 5-10 years) [commencing in 2020]
  - Up to 300% extra (for properties empty for 10+ years) [commencing in 2021]

In other words, property owners may be required to pay 200% of the standard bill after two years; 300% of the standard bill after five; and 400% after ten should the property remain unoccupied throughout this period. Discretion was provided to local authorities regarding the levels of premium to levy within the limits set out in legislation.

- 3.8 Melton Borough Council currently levies the previous maximum Empty Homes Premium of the standard charge plus a 50% premium after 2 years unoccupied.

### 3.9 Council Tax Discretions Proposals

There is national evidence that shows that there is a positive impact on occupation of housing through the application of these discounts and the empty homes premium. As a result the following proposals have been developed.

- 3.10 **Class C: We propose a reduction in the Class C Council Tax discretion from 100% discount for one month to 0% discount.** The impact of this proposal upon the Council Tax payer would be they would be potentially liable for any period that the property was unoccupied.

- 3.11 **Class D: We propose a review of Class D Council Tax Discretion, with the development of an Empty Homes policy which will have a particular focus on homes which are uninhabitable and are in need of substantial renovation.** A key element of this policy would be to determine how best to use these discretions to ensure these uninhabitable homes become occupied as soon as possible and are not a blight on local communities.

- 3.12 **Empty Homes Premium: We propose to apply an Empty Homes Premium** (in addition to the standard charge) to properties that have remained empty and unfurnished. The premium would be applied on the following scale:
- 100% extra (for properties empty for 2-5 years)
  - 200% extra (for properties empty for 5-10 years) [commencing in 2020]
  - 300% extra (for properties empty for 10+ years) [commencing in 2021]

This will provide a stronger incentive for property owners to ensure their properties are occupied as well as providing additional income to precepting authorities as detailed below.

It is recognised that the Empty Homes Premium can also be used to incentivise the faster occupation of uninhabitable properties. Whilst the proposal to apply the Empty Homes Premium as described above is to take effect from 1 April 2019, we will also include this in the scope of the Empty Homes policy review.

- 3.13 The following exemptions from the Long-Term Empty Premium are currently in place and will remain in place under the proposals alongside those outlined in Appendix A:

- A dwelling which is the sole or main residence of a member of the armed forces, who is absent from the property as a result of such service
- An annex deemed unoccupied because it is being treated by the occupier of the main dwelling, as part of that main dwelling
- The property is exempt from Council Tax

### 3.14 Consultation

A six week consultation was held over September and October 2018 with members of the public invited to respond either online or in writing to the Council. Within the consultation, 3 questions were asked relating to each of the proposed changes in Class C and Class D discretions and the Empty Homes Premium.

- 3.15 The full set of consultation results can be seen in Appendix B of this report. The following summary table shows a brief breakdown of the consultation outcomes:

<b>Response</b>	<b>Class C</b>	<b>Class D</b>	<b>Empty Homes Premium</b>
Agree with proposal	18	14	31
Disagree with proposal	20	21	7

It is recognised from the above that the development of the Empty Homes policy is required, specifically regarding Class D discretions. This will be developed in the early part of the new Council year, with a view to implementation once approved, potentially from 1 October 2019.

- 3.16 An element of the feedback from respondents concerned the ability of the Authority to make 'exceptions' where valid reasoning could be provided by the property owner. In these cases, the Council Tax charge will still apply, however the property owner could seek assistance through the MBC Council Tax Support discretionary scheme.
- 3.17 Should a property be in a state of active refurbishment with the specific aim of returning the property to occupation within a specified timeframe, the Council will retain the ability to not apply the additional Empty Homes Premium. This decision, however, will require significant assessment and regular visits from the Council's Void Property Officer to determine the scope of the work and associated timescales for completion before a final assessment and premium is imposed.

### 3.18 Communication of proposals:

If the recommendations within this report are approved, officers will notify all stakeholders of the changes to the discretions and empty homes premium. Details will be sent to:

- Known landlords (RSLs and private)
- Local estate agents
- Third sector advisers
- Local solicitors.

- 3.19 Details of the changes will also be fully explained with the associated reasoning

upon the Melton Borough Council website and within any literature referring to the annual billing process.

### 3.20 Care Leavers Discount

Care leavers are a particularly vulnerable group when it comes to council tax. Often, when care leavers move into independent accommodation they begin to manage their own budget fully for the first time. The Children's Society's 'Wolf at the Door' report into council tax debt showed that the pace of escalation of debt by local authorities could be frightening for care leavers - what can start out for many care leavers as falling slightly behind can very quickly escalate to a court summons and enforcement action being taken. Councils have the power to introduce exemptions for council tax for certain groups under Section 13A of the Local Government Finance Act 1992.

3.21 The proposal is that the Council will exempt care leavers from paying council tax up until the age of 25, which is in line with the recommendation from the Children's Society Report.

3.22 There are financial implications to awarding any discounts other than those currently available under the statutory legislation. The numbers in Melton are expected to be extremely low and so this impact will be negligible.

3.23 If implemented and if there are any cases where exemption is applied the following will apply:

- The granting of Section 13A discounts has cost implications;
- The existing discretionary scheme operated by MBC will not be supported by preceptors from April 2019. Therefore any discount to care leavers will be accounted for under S13A(3) of the Local Government Finance Act (1992).
- As a result of the financial costs borne by billing authorities created by this policy, it has been agreed with Major Preceptors that they will reimburse an amount equivalent to their proportion of the reduction in council tax liability, as invoiced to them by Melton Borough Council on an annual basis. This will only apply to the discounts provided to Care Leavers. So in other words, Melton Borough Council will not bear the full cost of this proposal should there be an actual case.

3.24 It is therefore proposed to introduce this zero Council Tax liability for care leavers up to the age of 25 from 1 April 2019. As a result of the associated time constraints, and to ensure the Policy and Memorandum of Understanding with the precepting authorities are implemented appropriately, delegated authority is requested to approve these aspects.

## 4.0 **POLICY AND CORPORATE IMPLICATIONS**

4.1 The proposals set out within the report will have a direct impact on the following goals identified in the Corporate Plan:

- Increasing the availability of good quality homes which meet local needs
- Becoming a more agile and commercial council; securing our financial future
- Helping people fulfil their potential and achieving their ambitions

- Focussing on our priority neighbourhoods, supporting people to overcome disadvantage and live well and independently.

The proposals will also have an additional impact upon annual income through Council Tax collection and provide an expected reduction in the number of long term empty properties within the Borough.

## 5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 Alongside the community based benefits of the legislation, the below table shows the expected total level of discount available to residents who apply for a discount in 2019/20. Should the proposed changes be accepted and implemented for 2019/20, the figures stated will be reflected in the additional income to the Council and other preceptors.

	<b>Total discount (Including precepts) 2019/20</b>	<b>MBC Portion</b>
Class C Discretion removal	120,097.70	<b>15,612.70</b>
Class D Discretion removal	24,083.53	<b>3,130.86</b>
Long term empty properties	29,116.20	<b>3,785.11</b>
<b>Total potential new income</b>	<b>173,297.43</b>	<b>22,528.67</b>

5.2 The proposed changes are expected to provide additional income of £149,000 to services across Leicestershire. This increase will provide valuable support for services delivered by Melton Borough Council and other agencies, alongside the positive impact of incentivising the quicker and more efficient turn around of vacant properties within the borough.

5.3 There is potential for additional income to be generated following the Empty Homes review and the subsequent application of discretions.

## 6.0 LEGAL IMPLICATIONS/POWERS

6.1 Section 13A(3) of the Local Government Finance Act 1992 permits the Council to reduce the amount of Council Tax payable to such an extent as it sees fit. This includes the power to reduce it to nil.

6.2 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 received royal assent on the 1 November 2018. The maximum increase on the council tax payable was 50% (totaling 150%) as per s.11B of the Local Government Act 1992 (inserted by the Local Government Finance Act 2012). The maximum increase has been amended to 100% for the financial year beginning on 1 April 2019 (totaling 200%).

## 7.0 COMMUNITY SAFETY

7.1 The proposals outline a necessity for the Council to reduce the number of long term empty dwellings in the Borough. These properties can at times be the focal point for antisocial behaviour or other issues which could be to the detriment of the local amenity (accumulations of waste, overgrown gardens etc). The proposals aim to reduce the number of long term empty properties, and therefore will have an effect upon the frequency of anti social behaviour incidents in these areas.

## 8.0 EQUALITIES

8.1 A comprehensive consultation period has been undertaken, with the results of the consultation available within Appendix B of the report. Assistance to property owners can be provided in exceptional circumstances through the discretionary council tax support scheme.

## 9.0 RISKS

9.1 Care Leavers – Ensuring that the discount is applicable at all times, where changes in the Care Leaver’s circumstances are fully accounted. It is therefore necessary to ensure that the full details of the tenancy are captured at the outset. This information then needs to be appropriately managed to be followed up accordingly.

9.2 Number of care leaver applications – Although the Council has not received an application for this discount since April 2018, there could be a significant increase in the number of applicants as information and publicity widens. This would have an impact in terms of a financial cost to the Council through the granting of the relief.

9.3 Empty homes – It should be acknowledged that a measure of success for this scheme would be a significant reduction in the number of empty homes within the Borough and a corresponding fall in the number of premiums being charged.

## 10.0 CLIMATE CHANGE

10.1 There are no climate change issues arising from this report.

## 11.0 CONSULTATION

11.1 The consultation relating to this report is fully outlined in Appendix 1. The precepting authorities will be consulted as part of the development of the Empty Homes Policy.

## 12.0 WARDS AFFECTED

12.1 All wards are affected

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Contact Officer Jim McCafferty, interim Revenues and Benefits Manager  
Date: 5 February 2019  
Appendices : Appendix A – List of unoccupied property exemptions  
Appendix B – Consultation Feedback

Background Papers: Children’s Society – Council Tax Exemption for Care Leavers

Reference : X : Committees/Corporate/2018-19/28-11-18/Council Tax Discretions