

Council Tax - changes to charges for empty properties

REPORT TO RESOURCES SCRUTINY Committee



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PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Caroline Lee
TEL NO	01282 477151
EMAIL	clee@burnley.gov.uk

PURPOSE

1. To set out proposals for a change to the Council’s existing policy on Council Tax charges for empty properties that are due to be considered by the Council’s Executive on 10th December

RECOMMENDATION

2. That members consider the proposed change to Council Tax charged i.e. that for properties empty for less than six months , that 100% discount should be applied for the first month followed by 50% for the remaining five months, and comment on it

REASONS FOR RECOMMENDATION

3. Members of this committee considered this issue on 8th October and advised that further work be done on considering a short term 100% discount for properties empty for less than six months. This report is the result of that request.

SUMMARY OF KEY POINTS

4. **Background.** Since Council Tax was introduced in 1993, taxpayers have in certain circumstances been entitled to pay an amount of Council Tax which is reduced by a discount. The full Council Tax charge is based on two or more adults being resident in a property. Discounts are available when there are fewer than two residents, the most common being the single person discount of 25% of the full charge. Some people are disregarded when counting the number of residents, e.g. students. Discounts are also available for unoccupied properties.
5. The Local Government Finance Act 2012 gave new powers to authorities to change the exemptions for empty properties in their areas and to apply locally determined discounts. The old Class C exemption prior to April 2013 was available or up to six months after a dwelling which was substantially unfurnished became vacant. The government replaced the exemption with a discount which billing authorities could set in the range of 0% to 100%.

6. The Council agreed in its meeting of 20th December 2012 to apply a 50% discount for the full six months for this category of dwelling and this became effective from April 2013. This policy has been in place for nine months now and in general is working well. However, in practice, queries and complaints can arise about very small periods of non-occupation. Inevitably this can result in the landlords of two properties and the tenant providing different vacation dates and the Council then struggles with little evidence to determine who is liable for periods of a few days. This results in an increased administrative burden for staff for little reward in terms of Council Tax income. These are often accounts that create bills for less than £50. These accounts are also more difficult to collect because Council Tax recovery options are limited.

7. From April 2014, the Council may want to consider creating a full 100% discount for the first month followed by the 50 % discount for the remaining five months. This could encourage landlords to ensure properties are let quickly following the departure of the previous tenant and avoid unnecessary short term liability issues for the Council. When consulting on the changes to charges for empty properties in November and December 2012, the short term empty discount was the most unpopular ; 45% of respondents were in favour with 55% against. The main objections cited were that it was unreasonable to fill a property on the day a tenant left, often repair work was needed to make it acceptable to new tenants and that it did not fit with the policy objective of the changes since landlords wanted these properties occupied as much as the Council did.

8. The estimated financial impact is detailed below. Preceptors including the County Council will be consulted about the change because of the financial impact for them but the decision on whether to apply the discount is solely a matter for the billing authority.

Financial Impact	Council Tax income current scheme –50% discount for the first six months	Council Tax income proposed scheme – 100% discount for the first month followed by 50% discount for five months
Current revenue estimated for the existing 50% discount for six months for unoccupied and unfurnished properties	£450,000	£375,000
Revenue for Burnley Borough Council for the full six months @ 16.75% of overall total	£75,375	£62,813
Estimated revenue for the first month @16.75% of overall total	£12,562	Nil

9. The Society of District Treasurers (SDCT) carried out a survey in July/August 2013 of the choices Councils had made in relation to the discount for properties empty and unfurnished for up to six months. It is fair to say there is some variety in the choices made and the discounts could well be amended in future years by the respective districts. There are 25 councils on the list who have applied the 100% discount for one month. One month would seem to be a reasonable period of time for a property owner to carry out the work needed to put a property back to use. Only one Council has applied a 7 day 100% exemption in the survey and no Councils elected for a 14 day 100%

exemption. These periods may be too short to make a positive difference both to property owners in getting the properties occupied and to the Council in terms of the administrative process.

Discount	No of districts
0%	13
7 days 100%	1
10% for one month	1
100% for one month	25
25% for two months	1
100% for two months	5
25% for three months	3
50% for three months then 10 %	1
100% for three months	20
10% for six months	2
25% for six months	3
50% for six months	14
100% for six months	13

10. The recommendation that will be put to the Executive is that full Council adopt the following change to the Council Tax charged for empty properties.

- For properties that are empty for less than six months, apply a 100% discount for the first month followed by a 50% discount for the remaining five months.

11. The reasons for this recommendation are:-

- To grant owners of empty homes a reasonable period of time to put these properties back into use. This short period of 100% discount gives owners an incentive to do this quickly before charges apply.
- To ensure effective and efficient administration of Council Tax for this class of discount

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

12. As detailed in the report

POLICY IMPLICATIONS

13. As detailed in the report

DETAILS OF CONSULTATION

14. Helen Seechurn – Director of Resources

BACKGROUND PAPERS

15. None

FURTHER INFORMATION

PLEASE CONTACT: C.Lee

ALSO: