

TONBRIDGE & MALLING BOROUGH COUNCIL
FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

24 September 2014

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 COUNCIL TAX DISCOUNTS

A report seeking the views of Members as to whether there should be any change to certain council tax discounts with effect from 1 April 2015.

1.1 Consultation

1.1.1 In my report to your Board of 23 July 2014 [**Annex 1**] Members' guidance was sought on which council tax discounts might be amended and whether a premium should be charged on long term empty properties.

1.1.2 Although there is no legal requirement to do so, it was requested that views be obtained from the main Registered Social Landlords (RSL) and landlords who are members of the Council's landlord forum in order to ascertain any unintended consequences from the suggested changes to the council tax discounts. Information was, therefore, placed on the Council's website in line with the guidance provided by Members below and emails sent to landlords to request their views [**Decision D140088MEM**].

- for the financial year 2015/16 and beyond, the Council is minded to reduce the period of the vacant and unfurnished properties discount to two months and to reduce the discount for uninhabitable properties and those undergoing repair from the current rate of 100%, for example to 50%;
- the Council is minded to charge a premium of 50% on properties empty for longer than two years.

1.1.3 There were just twelve responses to the consultation in total, and these are shown at [**Annex 2**].

1.1.4 Members will note that four responses support Members' initial view the discount for vacant and substantially unfurnished properties be reduced to two months, with half the responses suggesting the discount remain unchanged at three months. Just two responses suggested a period of discount lower than two months.

1.1.5 Seven of the respondents have suggested the current 100% discount awarded to 'uninhabitable properties' and those undergoing repair should remain the same, with the other five supporting Members' initial view that there should be a reduction in the discount to 50%.

1.1.6 In respect of whether a premium of 50% should be charged on properties that have been empty for longer than two years, seven responses support Members' initial view. Two responses suggested a premium of 25% be charged, with three responses suggesting no premium be applied.

1.2 Financial Considerations

1.2.1 My report of 23 July also set out the financial implications of amending the level of discounts. I have remodelled the impact of the proposed changes using the current financial year's charges as follows:

1) Vacant and substantially unfurnished properties

If Members were inclined to reduce the period of no charge from three months to two months, the additional income generated would be in the region of **£375,000** and a reduction of the period to one month would generate additional income of circa **£400,000** (August 2014 figures). It is important to note that any additional income would have to be shared with the precepting authorities; our share being approximately 15%.

2) Uninhabitable properties and properties undergoing repair

If Members reduced the current 100% discount to 75%, the additional income generated would be in the order of **£35,000**. A reduction of the discount to 50% would produce additional income of around **£70,000** (August 2014 figures). As above, any additional income would have to be shared with the precepting authorities.

3) Properties that have been empty for longer than two years

If Members decided to charge a 50% premium on long-term empty properties, additional income, to be shared with the precepting authorities, would amount to some **£50,000** (August 2014 figures).

1.2.2 The maximum potential income that would be generated, for Tonbridge and Malling, from the above would be in the order of **£80,000** at August 2014 figures ([£400,000 + £70,000 + £50,000] x 15%).

1.2.3 However, as Members will recall from previous reports, Kent County Council has offered to share with districts 25% of the additional revenue accruing to the County from the above changes. **Therefore, in addition to the £80,000 mentioned above, we could receive, approximately, an extra £90,000; giving a total of £170,000.**

1.2.4 This is not an insignificant figure and Members will be very aware of the Council's budget position and the requirement, because of reductions in the level of Government grant, to make ever greater budget savings. In addition, I anticipate that the Government will continue at least in the short term to restrict the amount by which the council tax can be increased each year without the need for a referendum to be held.

1.3 Non-financial considerations

1.3.1 The amount of long term empty properties in the Borough impacts on the Council's key corporate priorities and has a detrimental effect on residents who live next to them.

1.3.2 Therefore, reducing the level of discount and applying a premium on long term empty properties would seem to be an option to encourage owners of these properties to bring them back into use.

1.3.3 Local authorities that have applied a premium have seen a reduction in the amount of properties that have been empty for longer than two years. For example, when Gravesham Borough Council implemented the additional charge on 1 April 2013, approximately 80 properties were eligible to pay it. Current figures show that approximately 50 properties are now eligible, suggesting that the owners have been encouraged to bring their properties back into use to avoid paying extra council tax. Although the amount of income raised by applying the premium will have reduced, the properties that have been brought back into use will have increased the amount of 'new homes bonus' payable to the Council.

1.3.4 Members should note that there are currently two statutory exemptions from the premium; namely unoccupied annexes and properties left empty by a member of the armed forces. Although the Government's intention to implement a premium was not to penalise owners of property that are genuinely on the market for sale or rent, there is currently no exemption that can be applied for these circumstances.

1.3.5 Although amending the levels of discount is financially favourable to the Council, I feel I should make Members aware of the extra administrative burden this would place on the Revenues team.

1.3.6 The local authorities that have reduced the discount for vacant and substantially unfurnished properties to one month and below have reported an increased level of disputes over periods of liability (for example, between landlord and tenant) and a difficulty in collecting small amounts of council tax owed by landlords when their properties are empty.

1.3.7 That being said, the collection rates have not been adversely affected and the number of complaints and appeals received are still relatively low compared to the period prior to the discounts being amended.

1.4 Legal Implications

- 1.4.1 Section 11A(4) of the Local Government Finance Act 1992 (the Act) states that an English billing authority may determine that the council tax discounts applicable where there is no resident of a dwelling shall be replaced by a lower discount or no discount at all.
- 1.4.2 Section 11B of the Act (inserted by the Local Government Finance Act 2012) makes provision for an empty homes premium to be charged in relation to such classes of long term empty dwelling as billing authorities choose, subject to exceptions prescribed by the Secretary of State.

1.5 Financial and Value for Money Considerations

- 1.5.1 Any decision to change the value of discounts and/or to charge a premium will have an impact on the Council's finances.

1.6 Risk Assessment

- 1.6.1 A decision to decrease the value of discounts and/or to charge a premium, will have a negative financial effect on those liable to pay council tax, either through charging them when previously no charge was due or increasing the amount they are liable to pay.

1.7 Equality Impact Assessment

- 1.7.1 See 'Screening for equality impacts' table at end of report

1.8 Recommendations

- 1.8.1 Members are **REQUESTED** to consider the options below and make an appropriate **RECOMMENDATION** to Cabinet.
- a) Whether to retain the current period of three months 100% discount for vacant and unfurnished properties or to reduce the period to two months or lower with effect from 1 April 2015.
 - b) Whether to retain the current period of twelve months 100% discount for uninhabitable properties and those undergoing repair or to reduce the percentage to an amount below 100%, for example 50%, with effect from 1 April 2015.
 - c) Whether to charge a premium of 50% on properties that have been empty for longer than two years with effect from 1 April 2015.

Background papers:

Nil

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Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	The recommendation is ultimately to encourage more empty properties back into use to offset the shortfall in available properties therefore no one group in the community is affected in particular.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	Yes	It makes a positive contribution to bringing empty properties back into use for the benefit of everyone in the community.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.