



SHEFFIELD CITY COUNCIL

Report to Council

Report of: Laraine Manley – Director of Resources

Date: 6th February 2013

Subject: Changes to Council Tax Discounts for Second Homes and Empty Properties

Author of Report: Jon West

Summary:

- 1.1 The 2010 Spending Review, together with recent government announcements on funding and the rolling up of specific grants into general grant, indicate that significant reductions in grant are likely in 2013/14 with further reductions in subsequent years.
- 1.2 These budget reductions will need to be achieved through a combination of reductions in spending on Council services and increased income from other sources such as fees and charges.
- 1.3 Opportunities to increase income are scarce however, following the Spending Review, the government published proposals to give local authorities greater discretion over the Council Tax reliefs and discounts they could offer to owners of second homes and certain types of empty properties.
- 1.4 The government's intention is to allow authorities to introduce these changes from April 2013 and it is estimated that the Council will be able to generate in excess of £2m in additional Council Tax revenue through these changes.
- 1.5 Specifically, in order to generate this additional revenue it is proposed that:
 - the current 10% discount on second homes is removed
 - the current 12 month exemption from Council Tax on empty homes in need of repair, which will be revoked from April 2013, be replaced with a 25% discount for 12 months
 - the current 12 month exemption from Council Tax on empty unfurnished homes, which will be revoked from April 2013, be replaced with a 10% discount for 6 months

- in respect of properties that have been empty for 2 years, that Council Tax liability will be increased by 50%.

1.6 Cabinet recommended that Council should approve the above proposals which were presented to Members on 12th December 2012.

Reasons for Recommendations:

Adopting the proposed changes to Council Tax discounts for second homes and empty properties will potentially generate income in excess of £2m per year.

The reduction of discounts on second homes and empty properties and the implementation of an empty homes premium may encourage property owners to bring properties back into use providing associated environmental benefits.

Recommendations

That Council approve the proposals relating to Council Tax discounts and the Empty Homes Premium detailed in this report and set out in Appendix 1 to come into force on 1st April 2013.

Background Papers: n/a

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Eugene Walker
Legal Implications
YES Cleared by: Brendan Twomey
Equality of Opportunity Implications
YES Cleared by: Adele Robinson
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
ALL
Relevant Cabinet Portfolio Leader
Cabinet Member for Finance
Relevant Scrutiny Committee if decision called in
N/A
Is the item a matter which is reserved for approval by the City Council?
YES
Press release
No

REPORT TO COUNCIL

Changes to Council Tax Discounts for Second Homes and Empty Properties

1. Summary

- 1.1 The 2010 Spending Review, together with recent government announcements on funding and the rolling up of specific grants into general grant, indicate that significant reductions in grant are likely in 2013/14 with further reductions in subsequent years.
- 1.2 These budget reductions will need to be achieved through a combination of reductions in spending on Council services and increased income from other sources such as fees and charges.
- 1.3 Opportunities to increase income are scarce however, following the Spending Review, the government published proposals to give local authorities greater discretion over the Council Tax reliefs and discounts they could offer to owners of second homes and certain types of empty properties.
- 1.4 The government's intention is to allow authorities to introduce these changes from April 2013 and it is estimated that the Council will be able to generate in excess of £2m in additional Council Tax revenue through these changes.
- 1.5 Specifically, in order to generate this additional revenue it is proposed that:
 - the current 10% discount on second homes is removed
 - the current 12 month exemption from Council Tax on empty homes in need of repair, which will be revoked from April 2013, be replaced with a 25% discount for 12 months
 - the current 12 month exemption from Council Tax on empty unfurnished homes, which will be revoked from April 2013, be replaced with a 10% discount for 6 months
 - in respect of properties that have been empty for 2 years, that Council Tax liability will be increased by 50%.

2. Proposed Changes

- 2.1 Appendices 1 and 2 to this report set out the proposed Council Tax discounts and Empty Homes Premium, in respect of empty properties, to apply in Sheffield from April 2013. Further detail on these proposals is given below:

Second Homes Discount

- 2.2 Currently the Council allows a 10% discount to owners of second homes. A second home is a furnished property which is not classed as a person's main place of residence. In 2011/12, the combined value of the discount in respect of approximately 1400 properties totalled £155k.

- 2.3 Under new powers, authorities from April 2013, will be able to bill up to full Council Tax for second homes.
- 2.4 It is proposed that the current 10% discount is removed, potentially generating additional income of around £155k.

Empty Unfurnished Properties in Need of Repair

- 2.5 For empty unfurnished properties in need of repair, a full statutory exemption from Council Tax applies for a period of up to 12 months. This means that in respect of this period these properties attract no Council Tax liability. In 2011/12, the combined value of the exemption totalled approximately £467k in respect of 274 properties.
- 2.6 From April 2013 this exemption is revoked. Under new powers authorities from April 2013 will be able to grant a discount of up to 100% for up to 1 year.
- 2.7 It is proposed that we apply a 25% discount for 12 months. This means that these properties, for this period, will have a 75 % Council Tax liability, potentially generating additional income of around £350k.

Empty Unfurnished Properties

- 2.8 For empty unfurnished properties, a full statutory exemption from Council Tax applies for a period of up to 6 months. This means, for this period, these properties attract no Council Tax liability. In 2011/12, the combined value of the exemption totalled approximately £1.9m.
- 2.9 The exemption is revoked from April 2013. Under new powers authorities will, from April 2013, be able to grant a discount of up to 100%.
- 2.10 It is proposed that we allow a 10% discount for 6 months. This means that these properties, for this period, will have a 90% Council Tax liability, potentially generating additional income of around £1.7m.

Empty Homes Premium

- 2.11 Under new powers authorities, in respect of properties that have been left empty for over 2 years, have the option to levy an additional 'empty homes premium'. Under the power an authority may increase the Council Tax charged on these properties by up to 50%.
- 2.12 As at 31.03.12 approximately 900 properties had been empty for more than 2 years in Sheffield.
- 2.13 It is proposed that in respect of these properties that the Council Tax liability is increased by 50%. This change would, potentially, generate additional income of around £500k.

3. Implementation Plan

3.1 In order to maximise revenue to the Council, it is proposed that the changes take effect immediately from 1st April 2013 and apply to existing empty properties and second homes as well as to those that become empty during the course of the year. In individual cases, any time periods referred to in the proposed discounts and empty homes premium that commenced before the 1st April 2013 will be taken into account, when the Council determines whether the discount or premium applies.

4. Outcome and sustainability

4.1 Although the proposed changes may impact on taxpayer behaviour resulting in a shift in the numbers and designation of affected properties, it is not anticipated that this will significantly affect our income projections or sustainability of the proposed levels of discount.

5. Financial Implications

5.1 Whilst there will be some one-off costs associated with implementing these changes including the delivery of a communications plan, these are expected to be low and can be offset from income generated in the first year.

5.2 There will also be an impact on the Housing Revenue Account where Sheffield Homes properties are affected by these changes. Officers are currently looking at ways of mitigating this impact.

5.3 Although it is anticipated that these changes will make a significant contribution to the Council's wider efficiency savings agenda, there is a degree of uncertainty about the actual level of income they will generate particularly as their impact on taxpayer behaviour is not known. For example, it is likely that taxpayers will seek to bring properties back into use after 2 years rather than incur the additional cost of the empty homes premium.

6. Legal Implications

6.1 Section 11 (2) (a) Local Government Finance Act 1992 (the 1992 Act) provides that where a property is left vacant, it attracts a 50% discount in Council Tax liability. Section 11A of the 1992 Act provides that in respect of prescribed classes of vacant dwellings, local authorities may determine that the section 11 (2) (a) discount may be of a lesser percentage or shall not apply at all. The prescribed classes are set out in Regulations. From April 2013, these classes include vacant dwellings that are;

- furnished and are not the relevant person's sole or main residence,
- undergoing major repairs to make habitable or undergoing structural alterations,
- unfurnished.

6.2 Section 11B of the 1992 Act provides that local authorities, in respect of dwellings that have been left unfurnished and unoccupied for a period of at least 2 years, may determine that the section 11 (2) (a) discount shall not apply and the amount of Council Tax payable shall be increased by a

percentage not exceeding 50%. The Government in guidance refers to this provision as the “Empty Homes Premium”.

- 6.3 The Council Tax discount and Empty Homes Premium proposals detailed in this report and set out in Appendix 1 of this report, comply with the above legislation and are therefore lawful.

7. Human Resources Implications

- 7.1 There are no resource implications for staff employed by the Council or those of its Council Tax service provider, Capita.

8. Environmental Implications

- 8.1 The reduction of discounts on second homes and empty properties and the implementation of an empty homes premium may encourage property owners to bring properties back into use providing associated environmental benefits.

9. Equality of Opportunity Implications

- 9.1 A communications plan will be developed to ensure taxpayers are fully aware of these changes and the impact it may have on them.

- 9.2 By introducing these changes, the Council hopes to see empty homes, particularly those that have been empty for a significant period, brought back into use. This will increase the supply of much needed housing within the city whilst also reducing the negative impacts, such as anti social behaviour, reduction in property and rental values and a general downturn in the appearance of localities, which the prevalence of empty homes can have on communities across the city.

- 9.3 An Equality Impact Assessment (EIA) is appended to this report.

10. Contractual Implications

- 10.1 There are no anticipated contractual implications resulting from these changes.

11. Alternative Options Considered

- 11.1 A number of options are available to the Council including doing nothing.

- 11.2 Doing nothing is not recommended as it is clear that making changes to the discounts on second homes and empty properties offers a valuable source of income to the Council which will make a significant contribution to its budget planning.

- 11.3 Awarding no discount at all for all empty unfurnished homes and properties in need of repair is an option, however, it is considered that this option poses operational risks that will adversely impact the service and its ability to collect the additional revenue particularly by a potential increase in queries, complaints and appeals as well as an increase in avoidance tactics and potential fraudulent claims.

11.4 The proposals made in this report are expected to deliver a fair offer for the taxpayer and a realistic level of revenue for the Council whilst minimising any additional burden on the administrative process brought about by problems associated with tax avoidance and non payment.

12. Reasons for Recommendation

12.1 Adopting the proposed changes to Council Tax discounts for second homes and empty properties will potentially generate income in excess of £2m per year.

12.2 The reduction of discounts on second homes and empty properties and the implementation of an empty homes premium may encourage property owners to bring properties back into use providing associated environmental benefits.

13. Recommendations

13.1 That Council approve the proposals relating to Council Tax discounts and the Empty Homes Premium detailed in this report and set out in Appendix 1 to come into force on 1st April 2013.

Council Tax Discounts and Empty Homes Premium applicable in Sheffield under the Local Government Finance Act 1992, from 1st April 2013.

Section 11 (2) (a) Local Government Finance Act 1992 (the 1992 Act) provides that where a property is left vacant, it attract a 50% discount in Council Tax liability. In this appendix this discount shall be referred as “the empty dwelling discount”.

Discounts

The Council, under Section 11A of the 1992 Act may in respect of prescribed classes of vacant dwellings determine that the empty dwelling discount may be of a lesser percentage or shall not apply at all. This section details the Council’s Council Tax discount determinations in respect of the prescribed class of dwellings.

Second Homes

In respect of a dwelling that falls within the class of dwellings described in regulations 4 or 5, The Council Tax (Prescribed Classes of Dwelling) (England) Regulations 2003, the empty dwelling discount shall not apply in respect of the dwelling.

Empty unfurnished in need of repair

In respect of a dwelling that falls within the class of dwellings described in regulation 8, The Council Tax (Prescribed Classes of Dwelling) (England) Regulations 2003, the empty dwelling discount shall apply at 25% for the 12 month period commencing the date that the dwelling became vacant. After the 12 month period has expired, the empty dwelling discount shall not apply in respect of the dwelling.

Empty unfurnished

In respect of a dwelling that falls within the class of dwellings described in regulation 7, The Council Tax (Prescribed Classes of Dwelling) (England) Regulations 2003 that the empty dwelling discount shall apply at 10% for the 6 month period commencing on the date that the dwelling became vacant. After the 6 month period has expired, the empty dwelling discount shall not apply in respect of the dwelling.

Empty Homes Premium

The Council under section 11B of the 1992 Act, in respect of dwellings that have been left unfurnished and unoccupied for a period of at least 2 years (a long term empty dwelling), may determine that the empty dwelling discount shall not apply and the amount of Council Tax payable shall be increased by a percentage not exceeding 50% (the Empty Homes Premium). This section details the Council’s determination in respect of the Empty Homes Premium.

Where a dwelling is a long term empty dwelling, the empty dwelling discount shall not apply and that the amount of Council Tax payable in respect of that dwelling and that day shall be increased by 50%.

Proposal Summary

Discount Changes	Current Discount/ Exemption	Proposed Discount	Income Potential
Second homes	10% ongoing	0%	£155k
Empty unfurnished properties in need of repair	100% for 12months	25% discount for 12 months	£350k
Empty unfurnished properties	100% discount for a maximum of 6 months.	10% discount for 6 months	£1.7m
Long term empty premium (on dwellings that have been left empty for over 2 years)		Liability to be increased by 50% after 2 years	£500k