

## POLICY REVIEW AND DEVELOPMENT REPORT

<b>Type of Report:</b> Policy Development	<b>Portfolio(s): Resources</b>
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<b>Open report</b>	

**Date of meeting:** 24 August 2016

### **COUNCIL TAX DISCOUNTS FOR EMPTY / UNFURNISHED AND UNINHABITABLE PROPERTIES**

#### **1. Introduction**

1.1. The Council has powers to reduce or remove the council tax discount for empty / unfurnished and uninhabitable properties. This report outlines these powers and presents options for the Panel to discuss and recommend, along with some issues and questions for the Panel to debate.

#### **2. Executive Summary**

2.1. Since April 2004 we have had the power to increase the council tax charge for second homes from the nationally set 50% to 90%. Since April 2013 we have had the power to further increase the council tax charge for second homes to 100%, to increase the charge for properties which are unfurnished, uninhabitable or long term empty to 100%, and to charge a premium of a maximum additional 50% for properties empty for more than two years.

2.2. The aim of these powers is to encourage properties back into use and raise additional revenue for areas affected by high numbers of second homes and empty properties.

2.3. We have already made changes in previous years and a summary is overleaf:

Class of Property	Start	End	Discount	Council Tax Charge	Time Limit
Second Homes	01/04/1993	31/03/2004	50%	50%	None
	01/04/2004	31/03/2013	10%	90%	None
	01/04/2013	31/03/2016	5%	95%	None
	01/04/2016		0%	100%	None
Empty / Unfurnished properties	01/04/1993	31/03/2013	100%	0%	6 months
	01/04/2013		<b>100%</b>	0%	3 months
Uninhabitable Properties	01/04/1993	31/03/2013	100%	0%	12 months
	01/04/2013		<b>50%</b>	50%	12 months
Long Term Empty Properties	01/04/1993	31/03/2013	50%	50%	None
	01/04/2013		0%	100%	None
Properties Empty over 2 years	01/04/2013		(50%)	150%	After 2 years

2.4. Empty / unfurnished properties and uninhabitable properties are the only two classes where we still award a discount. These have been identified for review as part of the Council's cost reduction exercise.

2.5. There are no powers to charge more than the additional 50% premium for properties empty more than two years. Also no changes are proposed to the council tax charges for Second Homes, Long Term Empty Properties and Properties empty over two years.

### 3. Issues

3.1. Any council tax discount reduces the taxbase and is a cost to the Council. Removing these discounts increases the taxbase by 365 Band D properties, equivalent to income of around £60,764 a year. It also encourages properties back into use, contributing towards our New Homes Bonus at £1,224 per Band D property for four years. Any increase in the number of empty properties also reduces our New Homes Bonus. Offering a reduction to owners of empty properties can act as a disincentive to bringing the property back into use.

3.2. There may be some property owners who are adversely affected by the changes. A Discretionary Fund of £10,000 is recommended for exceptional circumstances and to assist those genuinely trying to bring a property back into use.

#### 4. Rationale for the Proposal

4.1. The Council can consider increasing the charge for empty / unfurnished and uninhabitable properties by reducing or removing the discounts. The implications of completely removing these discounts and charging 100% of the council tax are detailed below. This is in addition to the extra revenue already generated by the removal of the second home discount from 1 April 2016.

	Empty / Unfurnished	Uninhabitable	Total
Properties Affected	415	71	486
Taxbase Increase @ Band D	334	31	365
Additional Revenue Raised	£523,775	£48,201	£571,977
NCC	£397,248	£36,557	£433,805
PCC	£71,037	£6,537	£77,574
<b>BCKLWN</b>	<b>£55,491</b>	<b>£5,107</b>	<b>£60,764</b>

4.2. The changes will affect 486 properties from a total of 72,000 in the Borough (0.7%) and taxpayers will no longer see a reduction in their bill if their property is empty. The current reductions only apply for a limited time before they are removed and the 100% charge applies, and the changes will remove this initial reduction completely. This could encourage taxpayers to bring their properties back into use or complete structural works sooner than would be the case if there was a discount available.

4.3. Other Norfolk authorities have different schemes and the charges for 2016/2017 for the different classes of property are shown below.

	Charges				
	2 <sup>nd</sup> Homes	Empty / Unfurnished	Uninhab.	Long Term Empty	Over 2 years
<b>BCKLWN</b>	<b>100%</b>	<b>0%<sup>i</sup></b>	<b>50%<sup>ii</sup></b>	<b>100%</b>	<b>150%</b>
<b>Broadland</b>	100%	100%	100%	100%	150%
<b>Breckland</b>	100%	0% <sup>1</sup>	50% <sup>2</sup>	100%	150%
<b>North Norfolk</b>	95%	0% <sup>i</sup>	50% <sup>ii</sup>	100%	150%
<b>Norwich</b>	95%	100%	50% <sup>ii</sup>	100%	150%
<b>Great Yarmouth</b>	95%	0% <sup>i</sup>	50% <sup>ii</sup>	100%	150%
<b>South Norfolk</b>	95%	0% <sup>i</sup>	50% <sup>ii</sup>	100%	150%

4.4. Broadland District Council and Norwich City Council have already removed their discounts for empty and unfurnished and uninhabitable properties. It is understood that other authorities will also consider doing so for 2017/2018 although these decisions are yet to be formalised.

<sup>i</sup> 3 months then 100%

<sup>ii</sup> 12 months then 100%

## 5. Options Considered:

### 5.1. Option 1

5.1.1. Do nothing and retain the current level of charges for empty / unfurnished and uninhabitable properties.

<b>Advantages</b>	<b>Disadvantages</b>	<b>Financial Implications</b>
No Policy change	No increase in the taxbase and New Homes Bonus, therefore income, is lost	No increase in income
	No additional incentive to bring empty properties back into use	

### 5.2. Option 2

5.2.1. Remove the discounts for empty / unfurnished and uninhabitable properties from 1 April 2017 and agree a Discretionary Fund for exceptional cases.

<b>Advantages</b>	<b>Disadvantages</b>	<b>Financial Implications</b>
Encourages properties back into use	May be unpopular with landlords who have short term vacant periods between lets which they will no longer receive a discount for	Potential increase in taxbase of 365 Band D properties and more New Homes Bonus
Only affects a small number of properties (<1% of the total)	May financially disadvantage some customers but in the case of hardship they can make an application to the Discretionary Fund	

## 6. Preferred option

6.1. Option 2 is the preferred option as it encourages properties back into use whilst maintaining a safety net for exceptional cases affected by the changes. It also increases the taxbase and our income.

## 7. Questions and issues for the Panel

7.1. The Panel are asked to decide whether they agree with the rationale for the preferred option and whether they wish to recommend this option to Cabinet.

7.2. The Discretionary Fund will assist those suffering hardship and those in exceptional circumstances. In 2016/2017 a budget of £10,000 exists for a Hardship Fund and will be transferred to the Discretionary Fund. The Panel are asked whether they agree with this approach.

7.3. There will be no administrative saving from implementing the changes as the records will still need to show if a property is empty, even though it receives no discount. This is for government returns, including the calculation of our New Homes Bonus. Additional resource will be needed to test, implement and publicise the changes and deal with enquiries. Norfolk County Council has agreed to provide £50,000 to meet these costs. The Panel is asked to note this issue.

## **8. Policy Implications**

8.1. Changes to the discounts are a change to Council policy and will need approval by full Council.

## **9. Financial Implications**

9.1. Removing the discounts for empty / unfurnished and uninhabitable properties will increase the taxbase by approximately 365 Band D properties which equates to income of around £60,764 a year. It can also encourage owners to bring empty properties back into use which will contribute towards our New Homes Bonus.

9.2. Funding has been secured from Norfolk County Council towards the administrative cost of implementing and publicising the changes.

9.3. £10,000 will be allocated to the Discretionary Fund. The cost of this is met by the preceptors in proportion to their share of the council tax.

## **10. Equality Impact Assessment (EIA)**

10.1. Pre-screening EIA attached.

# Pre-Screening Equality Impact Assessment

Borough Council of  
King's Lynn &  
West Norfolk



Name of policy	Council Tax Discounts for Empty / Unfurnished and Uninhabitable Properties				
Is this a new or existing policy/ service/function?	Amendment to an existing policy				
Brief summary/description of the main aims of the policy/service/function being screened.  Please state if this policy/service rigidly constrained by statutory obligations	Council Tax discounts for properties which are empty and unfurnished, or uninhabitable. These properties currently attract a discount and these are being reviewed.  Whilst the powers are awarded in statute, any decision is at the discretion of the Council				
<b>Question</b>	<b>Answer</b>				
<p>1. Is there any reason to believe that the policy/service/function could have a specific impact on people from one or more of the following groups <b>according to their different protected characteristic</b>, for example, because they have particular needs, experiences, issues or priorities or in terms of ability to access the service?</p> <p>Please tick the relevant box for each group.</p> <p>NB. Equality neutral means no negative impact on any group.</p>		Positive	Negative	Neutral	Unsure
	Age			√	
	Disability			√	
	Gender			√	
	Gender Re-assignment			√	
	Marriage/civil partnership			√	
	Pregnancy / maternity			√	
	Race			√	
	Religion or belief			√	
	Sexual orientation			√	
	Other -				
<b>Question</b>	<b>Answer</b>	<b>Comments</b>			
2. Is the proposed policy/service likely to affect relations between certain equality communities or to damage relations between the equality communities and the Council, for example because it is seen as favouring a particular community or denying opportunities to another?	No				
3. Could this policy/service be perceived as impacting on communities differently?	No				
4. Is the policy/service specifically designed to tackle evidence of disadvantage or potential discrimination?	No				
<p>5. Are any impacts identified above minor and if so, can these be eliminated or reduced by minor actions? If yes, please agree actions with a member of the Corporate Equalities Working Group and list agreed actions in the comments section</p>	NA	<b>Actions:</b> <b>None</b>			
		<b>Actions agreed by EWG member:</b> .....			
<b>Assessment completed by:</b> <b>Name</b> Jo Stanton					
<b>Job title</b> Revenues and Benefits Manager	<b>Date</b> 25 July 2016				

**Please Note: If there are any positive or negative impacts identified in question 1, or there any 'yes' responses to questions 2 – 4 a full impact assessment will be required.**