

CITY COUNCIL - 11 FEBRUARY 2013

REPORT OF THE DEPUTY LEADER

DETERMINATION OF COUNCIL TAX DISCOUNTS FOR EMPTY PROPERTIES AND THE PREMIUM ON LONG TERM EMPTY PROPERTIES

1 SUMMARY

- 1.1 This report seeks approval for the City Council to determine that no discount shall be provided to certain empty properties and for a 50% premium to be applied to long term empty properties.
- 1.2 Due to a change in legislation with effect from 1 April 2013, councils will have greater flexibility in deciding the level of Council Tax that will be payable on empty properties. By using these powers to maximise the level of tax on such properties, an estimated additional Council Tax revenue of £2.637m per annum could be generated; the City Council share being £2.251m.
- 1.3 In adopting these powers, it is proposed that the additional revenue support the Council in managing financial pressures, and in particular mitigate the financial cost to the council due to the introduction of the Council Tax Support Scheme.
- 1.4 This would also support the strategic aim of bringing empty properties, particularly those empty for two years or more, back into occupation. Vacant properties deny homes to those in desperate need and can also:
- become targets for vandals and fly tippers;
 - become fire risks;
 - be a magnet for crime, graffiti, drug abuse and anti-social behaviour;
 - blight streets and neighbourhoods; and
 - reduce the value of adjacent premises.
- 1.5 These proposals were considered by Executive Board on 22 January 2013.

2 RECOMMENDATIONS

It is recommended that Council make the following determinations, pursuant to sections 11A and 11B of the Local Government Finance Act 1992, with effect from 1 April 2013:

1. for classes A, B, C and D dwellings as defined by The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 as amended by the Council Tax (Prescribed Classes of Dwellings)(England)(Amendment) Regulations 2012 the discount under section 11(2) (a) shall not apply;
2. The discount under section 11(2)(a) shall not apply and an additional premium of 50% (making a total 150% charge) shall apply to long term empty dwellings as defined in section 11B of the Act subject to the provisions of The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 as amended by the Council Tax (Prescribed Classes of Dwellings) (England)(Amendment) Regulations 2012.

3 REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)

- 3.1 In view of the continuing financial pressures on the Council, which have been compounded by the impact of introduction of the Council Tax Support Scheme, it is considered appropriate to use these new powers to the full and maximise possible additional income. This will also support our objective to bring empty properties back into occupation.
- 3.2 There is no express requirement to consult on this policy change, and having considered all relevant issues it is considered there is also no implied obligation, to consult in relation to this issue.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 4.1 Legislation will allow councils to apply discounts ranging from 0% to 100%, as well as specifying the period for which the discount should apply. Granting any discount, even for a limited period, would reduce the potential revenue

5 BACKGROUND

- 5.1 Empty Furnished Properties not being used as anyone's main residence (often referred to as 'second homes', but includes furnished lets between tenants) under the Council's current policy attract a 10% discount. Since 2004, councils have had discretion to set the discount on these within a range of 10% to 50%. These charges start on the first day that the property becomes empty and are payable by the owner, i.e. the freeholder or leaseholder for a lease granted for at least 6 months. There is no exemption period granted to these properties. Properties used as second homes and 'furnished lets' between tenancies fall into this category. The new legislation enables the Council to reduce this discount to zero.
- 5.2 Regulations have prescribed 2 classes of properties to cover this: A and B. Class A refers to furnished properties not used as anyone's main home that are restricted by a planning condition preventing occupancy for a continuous period of at least 28 days. This rarely applies in Nottingham. Class B is the same as class A but covers properties not subject to any planning restriction and furnished empty properties in Nottingham would fall into this category.
- 5.3 It is proposed that no discount shall apply to these classes of properties effective from 1st April 2013.
- 5.4 There are currently 23 classes of properties that are exempt from the Council Tax, including some that relate to empty properties and in particular the following two classes:
- Class A Exemption - applies to properties undergoing or requiring major repairs to render them habitable. This exemption currently lasts up to 12 months;
 - Class C Exemption is granted on properties that become empty and unfurnished and currently lasts up to 6 months, provided they do not fall into any other exemption class, such as properties left empty after a death or the owner going into care.
- 5.5 After the 6 month or 12 month period above the full tax becomes payable if the property remains empty.
- 5.6 Effective from 1st April 2013 the Class A and Class C exemptions will be removed and replaced with a locally defined discount ranging from 0 to 100%. Regulations have prescribed 2 classes of properties that mirror those in the current Exemption classes A and C. These

regulations refer to them as classes D and C respectively.

- 5.7 It is proposed that no discount shall apply to these classes of properties effective from 1st April 2013.
- 5.8 The legislation has introduced a new power to levy an additional premium of up to 50% on properties which have remained empty for two years or more, resulting in 150% charge being payable.
- 5.9 These provisions are contained in section 11B of the Local Government Finance Act 1992. Under these provisions the Council can determine that no discount shall apply and a further premium of up to 50% can be levied.
- 5.10 It is proposed that no discount applies and the maximum premium of 50% be levied.
- 5.11 It is estimated that approximately 14,000 taxpayers per year will be affected these proposals. Of these, some 9,000 will be new additional debts to be paid by taxpayers whose current liability is fully met by an exemption. The majority of these will be landlords and owners who have left their previous residence empty.

6 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

- 6.1 The proposed changes to empty property discounts will generate an estimated additional £3.225m (gross) Council Tax to be collected, with a net increase in income of £2.637m. Table 1 (below) sets out the estimated financial implications of the proposals set out in the body of the report:

TABLE 1 – SUMMARY OF THE FINANCIAL IMPACT					
Change	Taxpayers affected (No.)	Additional Council tax payable (£m)	Estimated income to NCC (£m)	Estimated income to Police (£m)	Estimated income to Fire (£m)
Removing 10% discount on empty	1,172	0.107	0.091	0.011	0.005

furnished properties					
Full Charge on Class A Exemptions	368	0.098	0.084	0.010	0.004
Full Charge on Class C Exemptions	12,048	2.829	2.416	0.291	0.122
Long Term Empty Levy	409	0.191	0.163	0.020	0.008
Gross Additional Tax Collectable		3.225	2.754	0.333	0.138
Increased cost of collection / loss on collection		-0.588	-0.503	-0.061	-0.024
Net Gain to Collection Fund		2.637	2.251	0.272	0.114

6.2 The calculation includes an additional £104,000 increase in the cost of collection as the scheme will increase the level of monitoring, collection and enforcement activity, especially in the initial period. The additional income raised from this proposal will be used to contribute towards financial pressures identified in the Medium Term Financial Plan (MTFP), in particular the cost of the introduction of a local Council Tax Support Scheme (CTSS) to be implemented with effect from 1 April 2013. The benefit to the precepting authorities will help mitigate the negative financial impact that the introduction of the CTSS will have on all precepting authorities.

6.3 The introduction of this proposal will cost the Housing Revenue Account (HRA) an estimated £500,000 in 2013/14 due to the introduction of the charge that will make landlords liable for Council Tax for the period between tenancies (currently only liable after the first 6 months).

7 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS)

- 7.1 Most of the legal issues surrounding the proposals are contained within the main body of the report, which considers the new provisions relating to Council Tax exemptions and discounts, introduced by the Local Government Finance Act 2012 on 31 October 2012. The 2012 Act amends the relevant provisions of the Local Government Finance Act 1992. Any determinations under those provisions must be made by the Council before 1 April 2013 for the financial year 2013/14.
- 7.2 Detailed provisions are contained in The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 as amended by the Council Tax (Prescribed Classes of Dwellings)(England)(Amendment) Regulations 2012 and within sections 11A and 11B of the Local Government Finance Act 1992 as inserted by the Local Government Finance Act 2012
- 7.3 In making decisions, councils must have due regard to their general duties under the Equality Act 2010 towards people with particular protected characteristics (age, disability, gender reassignment, marriage and partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and the duty to mitigate child poverty under the Child Poverty Act 2010. In relation to the former, there is a statutory duty on all public authorities, when carrying out their functions, to have due regard to the need to eliminate unlawful discrimination and to promote equality of opportunity for groups protected by the legislation. Due regard comprises two linked elements: proportionality and relevance. The weight which public authorities must give should therefore be proportionate to its relevance to a particular function. The Equality Impact Assessment should assist in identifying issues which need to be taken into account before any decisions are made.

8 EQUALITY IMPACT ASSESSMENT (EIA)

- 8.1 The EIA is attached

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

- 9.1 None.

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 10.1 Executive Board report 'Determination of Council Tax Discounts for Empty Properties and the Premium on Long Term Empty Properties' and minutes dated 22 January 2013.

**COUNCILLOR GRAHAM CHAPMAN
DEPUTY LEADER**

Equality Impact Assessment Form

Name and brief description of proposal / policy / service being assessed

Provisions contained within the Local Government Finance Act 2012 have allowed discretion to Councils to determine what level of discount, if any, should be granted against the Council Tax due on empty properties and apply an additional charge on long term empty properties i.e. those empty for 2 years or more.

The proposed discount levels being considered by this Council will result in an increase in the Council Tax due on empty properties. This will be payable from the owners of these properties.

Information used to analyse the effects on equality

Desktop analysis and consideration of the Equality Impact Assessment on the Council Tax Collection Strategy of March 2012.

	Could particularly benefit (X)	May adversely impact (X)	How different groups could be affected: Summary of impacts	Details of actions to reduce negative or increase positive impact (or why action not possible)
People from different ethnic groups	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Equality data in relation to Council Tax is very limited and this means it is not possible to measure whether different demographic groups may be over-represented within the persons affected by these proposed changes..	
Men, women (including maternity/pregnancy impact), transgender people	<input type="checkbox"/>	<input type="checkbox"/>	These changes will impact on property owners, many of which reside outside of Nottingham. Many of these will be landlords in the business of letting properties or property speculators. There is no information to lead us to believe that this will have a disproportionate impact on any minority group. We intend to notify Citizens who we believe will be affected by these changes before they come into place enabling them to contact us to discuss what it will mean for them.	
Disabled people or carers	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
People from different faith groups	<input type="checkbox"/>	<input type="checkbox"/>		
Lesbian, gay or bisexual people	<input type="checkbox"/>	<input type="checkbox"/>		
Older or younger people	<input type="checkbox"/>	<input type="checkbox"/>		
Other (e.g. marriage/civil partnership, looked after children, cohesion/good relations, vulnerable children/adults)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	These people will be subject to billing of the Council Tax and, in the event of non payment, subject to recovery action. As such the findings from the EIA on Council Tax Collection Strategy are relevant here.	

Equality Impact Assessment Form

			<p>In common with the general population of Council Tax payers those impacted by this change may not have English as their first language or have difficulty reading or may be considered as 'vulnerable'. In summary the following steps are built in to our process to deal with this. –</p> <ul style="list-style-type: none"> • Documents and letters are provided in Plain English wherever possible. • A translation service can be provided • Disabled access & hearing loop available at the contact centre • Later stages of recovery are adjusted individually according to the size of the debt and the debtors financial circumstances. • Some recovery actions would not be taken if the debtor has been identified as vulnerable or suffers from severe mental illness • The Council has a significant welfare rights programme with services commissioned based on a detailed needs assessment 	
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Outcome(s) of equality impact assessment:

No major change needed Adjust the policy/proposal Adverse impact but continue Stop and remove the policy/proposal

Arrangements for future monitoring of equality impact of this proposal / policy / service:

This assessment will be reviewed if any subsequent information indicates other impacts

Approved by (manager signature): Bev Osborne; bev.osborne@nottinghamcity.gov.uk, Date sent to equality team for publishing: Send document or link

Equality Impact Assessment Form

0115 87 64066

to equalityanddiversityteam@nottinghamcity.gov.uk