

AGENDA ITEM 10

REPORT TO:		CABINET	
DATE:		09 January 2013	
PORTFOLIO:		Cllr Clare Pritchard, Deputy Leader	
REPORT AUTHOR:		Mark Hoyle, Head of Regeneration & Housing	
TITLE OF REPORT:		Technical Reforms of Council Tax – Empty Dwellings and Second Homes	
EXEMPT REPORT:	No		
KEY DECISION:	Yes	If yes, date of publication:	Not published; to be dealt with as an urgent key decision

1. Purpose of Report

- 1.1 The purpose of this report is to consider recommendations and approve proposals regarding changes to some existing Council Tax discounts and exemptions to take effect from the 1st April 2013 arising from new legislation for 'Technical Reforms of Council Tax'.

2. Recommendations

I recommend that Cabinet:-

- 2.1 Note and consider the findings of the Empty and Second Homes Council Tax Consultation as reported at Appendix 1.
- 2.2 Approves the proposals for Technical Reforms of Council Tax to change certain discounts and exemptions for empty and second homes as set out on Appendix 2 and to levy a 50% premium, where applicable, if dwellings are empty for more than two years with effect from 1st April 2013.

3. Reasons for Recommendations and Background

- 3.1 The Local Government Finance Act 2012 has granted local authorities greater flexibilities for certain Council Tax discounts and exemptions relating to empty and second homes. Additionally, a new power has been granted to levy a charge or premium on long term empty homes (i.e. a minimum of 2 years empty) up to an additional maximum of 50%, subject to the relevant dwelling not being marketed for sale or rent.
- 3.2 On the 29th October 2012 under delegated powers the Leader of the Council granted approval to consult widely across the Borough on proposals to reduce and remove certain discounts and exemptions for a number of classes of empty homes which would take affect from the 1st April 2013. Since the report was approved and before the legislation referred to in '3.1' above was enacted the clause in relation to the long term empty premium was revised to clarify that it will only apply if the dwelling is not being actively marketed for sale or rent.

- 3.3 The report and subsequent consultation referred to in paragraph '3.2' above highlighted the scale and problems associated with empty homes across the borough. It also highlighted that there is approximately 2,500 empty dwellings at any one time, of which over 750 are empty for over two years. The report also highlighted some of the problems associated with empty dwellings:-
- Nuisance and antisocial behaviour
 - Vandalism and dumping of rubbish etc.
 - A reduction in house values
 - Driving other households away
- 3.4 Proportionally, Hyndburn has the second largest number of empty dwellings in the country at 7.03% of the total housing stock. This very high number of empty homes is having a direct impact on Government grant that the Council receives. For 2013/14 the Council will only receive £120,633 New Homes Bonus which is one of the lowest allocations in Britain.
- 3.5 One of the Council's main regeneration priorities is to bring empty homes back into use. This is even more important due to the economic downturn and a shortage of new house building. Reusing empty homes helps meet housing needs in the Borough as well as helping the Council secure additional Government grant.
- 3.6 The Council's proposals are outlined and summarised in Appendix 2.
- 3.7 The Council believes that by taking advantage of the new Council Tax legislation it supports the Council's regeneration objectives and its priority to bring empty homes back into use.

4. Alternative Options considered and Reasons for Rejection

- 4.1 The Council considered a range of Council Tax discounts and periods but concluded that the ones proposed in this report achieve a reasonable balance between its objective to encourage owners to bring empty homes back into use and the concerns expressed in response to the consultation in relation to additional charges that will have to be paid should the recommendations be approved.

5. Consultations

- 5.1 The Council consulted widely on its proposals for the period 6th November 2012 to 18th December 2012. Questionnaires were sent to the following:-
- All known empty homes owners
 - Second home owners
 - Citizens Panel members from the Hyndburn area

In addition, the survey was also publicised on the front of the Council's website throughout the consultation period.

- 5.2 In total, 129 responses were received. The response to the Council's proposals was mixed. The consultation found that just under 63% of respondents did not agree with the principle of using Council Tax charges as an incentive to encourage home owners to bring empty homes back into use, whilst 37.2% supported the proposals. Bearing in mind the consultation and responses were heartily weighted in favour of empty and second home owners (72%) this is not a surprise. For those respondents who did not have an interest in empty and second homes (28%), a significant number (67%) supported the council's proposals to use Council Tax charges as an incentive to encourage owners to bring empty homes back into use.
- 5.3 A comprehensive report on the consultation findings is attached at Appendix 1.

- 5.4 The consultation highlighted concern especially from owners of empty homes and second homes with the potential for additional and increased Council Tax charges. Concerns were around a range of issues including:-
- Increase in cost including affordability
 - Recession and difficulty in selling residential dwellings
 - Time needed to improve houses
 - Penalising owners trying to improve houses
 - Higher turnover of houses due to additional dwellings being available
 - Increase in private renting where houses cannot sell
- 5.5 A lot of concerns raised in the consultation related to personal circumstances and the reasons for empty and second home ownership. The flexibilities within the new legislation do not extend to accommodating individual circumstances and therefore it is not possible to develop a charging policy that addresses a lot of the individual issues raised in the consultation.
- 5.6 The proposals put forward address the overall policy aim to bring forward a Council Tax charging policy that encourages bringing empty homes back into use and outweighs a lot of the concerns raised in the consultation. Therefore, subject to Cabinet's view, this report does not put forward any alternatives to those that were originally consulted upon.

6. Implications

Financial implications (including mainstreaming)	The technical changes proposed for Council Tax charges within this report will be taken into consideration when setting the Council Tax base for 2013/14 and are therefore a factor in the determination of the planned level of Council Tax income which will be collectable in 2013/14.
Legal and human rights implications	<p>The Council Tax technical changes proposed within this report are in accordance with the Local Government Finance Act 2012.</p> <p>The Council is subject to the public sector equality duty introduced by the Equality Act 2010. When making a decision in respect of the recommendations in this report Cabinet must have regard to the need to:-</p> <ul style="list-style-type: none"> • eliminate unlawful discrimination, harassment and victimisation; and • advance equality of opportunity between those who share a relevant protected characteristic and those who do not; and • foster good relations between those who share a relevant protected characteristic and those who do not. <p>For these purposes the relevant protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. To assist the Cabinet in this regard a Customer First Analysis has been carried out as part of the review process and is attached at Appendix 3 to this report. Cabinet is advised to consider the Customer First Analysis and its obligations in</p>

	respect of the public sector equality duty when making a decision in respect of the recommendations contained in this report.
Assessment of risk	<p>The Council Tax Empty Dwellings and Second Homes consultation identified concern regarding additional tax implications especially in the current difficult housing market conditions.</p> <p>Therefore there will be an on-going financial risk to the Council's collection fund and revenue streams should empty home owners try to avoid payment.</p> <p>The budget implications and assumptions including associated risks will be factored into the calculation of the Council Tax base for 2013/14.</p>
Equality and diversity implications <i>A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	See attached Appendix 3.

**7. Local Government (Access to Information) Act 1985:
List of Background Papers**

Decision by the Leader of the Council dated and published on the 29th October 2012: - Technical Reforms of Council Tax – Empty Dwellings and Second Homes.

8. Freedom of Information

- 8.1 The report does not contain exempt information under the Local Government Act 1972; Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

	Former Regulations	New Regulations ¹	Proposed Measures	Council Proposal	Justification
1.	Class A exemption – up to 12 months exemption while the qualifying conditions exist; 50% discount after 12 months	Abolish the exemption and allow Council's to grant a discount between 0% and 100% for 12 months	Removing the Council Tax exemption on empty properties in need of or awaiting major repair or structural alteration	Discount of: - 50% for first 12 months 0% after 12 months	Owners should make a reduced contribution to local services, at the same time be encouraged to bring an empty home back into use
2.	Class C exemption – exempt for the first 6 months when continuously empty	Abolish the exemption and allow Council's to give a discount between 0% and 100%	Removing the Council Tax exemption for properties continually empty for 6 months	Discount of: - 50% for first 6 months 0% after 6 months	As '1' above
3.	Class L Exemption – exempt where repossessed by a mortgage lender and the property remains empty	Abolish the exemption and allows Council's to treat them as other empty dwellings i.e. 1 and 2 above	Remove the Council Tax exemption for properties repossessed by a mortgage lender	Discount of 0% from date property repossessed.	Mortgage lenders in possession of property should contribute to local services, at the same time be encouraged to bring empty homes back into use
4.	Long-term empty properties 50% discount after 6 months and continuing while the property remains empty	Allow Councils to levy an 'empty homes premium' on properties left empty for longer than 2 years ²	Introduction of an 'empty homes premium' on properties left empty for more than 2 years subject to the relevant legislation	Additional charge to add a premium of 50% making the total liability 150% after 2 years subject to the relevant legislation	Greater emphasis put on bringing long term empty homes back into use
5.	Second Homes 50% discount while furnished properties are not occupied as a main home	Allow Councils to reduce the discount to 0%	Removing the Council Tax discount for furnished properties not occupied as a main home	Armed forces discount – 50%. Everyone else reduce discount to 0%	Second home owners should contribute to the cost of local services

¹ The Local Government Finance Act 2012

² Where the dwelling is not being marketed for sale

Customer First Analysis – Council Tax for Empty Dwellings and Second Homes

Purpose

What are you trying to achieve with the policy/service/function?

The Policy has two key aims:-

- i. To introduce Council Tax charging on empty homes, especially long term empty homes, as an incentive to encourage home owners to bring them back into use sooner rather than later;
- ii. To get the owners of empty homes and second homes to make a contribution towards local services.

Who defines and manages it?

The proposals emerge from the Local Government Finance Act 2012.

The policy has been designed by the Head of Regeneration and Housing in conjunction with the Head of Benefits, Revenues and Customer Contact. The policy will be managed by the Revenue Team.

Who do you intend to benefit from it and how?

The aim is to encourage bringing empty homes back into use. Residents in need of housing may benefit as will residents who may suffer nuisance as a consequence of living near to an empty home/empty homes.

The policy could have an adverse effect on the certain groups especially lower income home owners unable to sell their home due to the economic downturn. The elderly and disabled on low income appear most at risk.

What could prevent people from getting the most out of the scheme?

N/A

How will you get your customers involved in the analysis and how will you tell people about it?

A Borough-wide consultation exercise was carried out with the findings reported to Cabinet and published on the Council's website.

All known empty and second home owners were contacted directly and the consultation was advertised on the Council's website.

Evidence

How will you know if the policy delivers its intended outcome/benefits?

There should be a reduction in the number of empty homes. This will be monitored by the Council's Council Tax and Housing Teams.

How satisfied are your customers and how do you know?

The consultation identified that empty and second home owners were against the removal of Council Tax exemptions and discounts.

What existing data do you have on the people that use the service and wider population?

We hold Council Tax data on empty and second homes, including in most cases owner details and length of time a dwelling has been empty.

Equalities information was collected as part of the consultation carried out.

What other information would it be useful to have? How could you get this?

N/A

Are you breaking down data by equality groups where relevant (such as by gender, age, disability, ethnicity, sexual orientation, marital status, religion and belief, pregnancy and maternity)?

Yes, the aim will be to collect qualitative data on equality groups.

Are you using partners, stakeholders and councillors to get information and feedback?

We consulted with a range of people, groups and organisations including councillors, residents, registered providers, members of the Homelessness in Hyndburn Forum, private landlords, local letting and sales agents, etc.

Impact

Are some people benefiting more or less than others? If so, why might this be?

It is very unlikely that this Policy will be seen as a benefit except where it is seen as part of a wider package to bring empty homes back into use.

The Policy will potentially be seen as a detriment if, as proposed, some Council Tax exemptions are removed.

Actions

If the evidence suggests that the policy/service/function benefits a particular group or disadvantages another, is there a justifiable reason for this and if so, what is it?

As highlighted above, the Policy is likely to be seen as detrimental to empty home owners. Whilst it is believed that the Policy will help encourage bringing empty homes back into use, and therefore have wider regeneration benefits, potentially it may cause some hardship for low income empty home owners.

The consultation did not identify any specific equality issues.

Is it discriminating in any way?

No.

Is there a possible impact on relationships on perceptions between different parts of the community?

It is more likely to be unpopular with empty home owners but it should not impact on relationships or perceptions between different parts of the community.

What resources can you put in place to reduce disadvantages?

N/A

Do you need to consult further?

A comprehensive consultation exercise was carried out. Further consultation may be necessary if the Policy is not working or if there is a need to change the Policy.

Have you identified any potential improvement to customer service?

N/A

Who should you tell about the outcomes of this analysis?

It is important that this analysis is reported to Cabinet when it considers the outcome of the consultation and Policy proposals.

Have you built the action into your Business Plan with a clear timescale?

Yes, including when we will report back to Cabinet/Council on the findings of the consultation.

When will this assessment need to be reported?

The assessment will be reported to Cabinet on the 9th January 2013.