



Council
18 November 2013

**Report from the Director of
Regeneration and Major Projects**

For Action

Wards affected:
ALL

Council Tax – Approval of Discretionary Discounts

1.0 Summary

- 1.1 As from 1 April 2013 local authorities were given the discretion to set discounts and premiums for certain classes of Council Tax properties. These classes included properties that have been empty for less than 6 months, long term empty properties, second homes and properties that are empty and uninhabitable. At the full council meeting on 10 December 2012 the council agreed the discounts and premiums that would be applicable to these classes for 2013/14.
- 1.2 This report details the classes and discounts currently applicable and seeks the approval of the discounts and premiums to be applied to these classes for 2014/15, including changes to the discount for properties requiring major repair works or structural alterations to bring them back into a habitable condition.

2.0 Recommendations

- 2.1 That the discount applicable to former exemption "Class A" properties (Discount Class D) be reduced from 50% to 0% from 1/4/2014;
- 2.2 That the discounts and premiums applicable to the other classes (Discount Class C, second homes and long term empty properties) remain unchanged for 2014/15 as detailed in paragraph 3.2.

3.0 Detail

- 3.1 The Local Government Finance Act 2012 gave local authorities the discretion to apply a discount to certain classes of property that were either previously exempt or subject to a statutory discount. This discretion came into effect from 1 April 2013 and the council decided on this at its meeting on 10 December 2012. This was dealt with in conjunction with the decision agreeing the council tax reduction scheme (council tax support), the additional income from the changes to the discounts being used to offset part of the cost of funding the reduction scheme.
- 3.2 Briefly the changes agreed by the council were:
- Class A exemptions (i.e. properties requiring major repair works or structural alterations to bring them back into a habitable condition) used to attract up to a 12 month exemption. This exemption was abolished and instead replaced with a Council Tax discount Class "D". This enabled local authorities the discretion to award a discount within a range of 0% to 100% for the 12 month period. The Council elected to award a 50% discount from 1/4/2013.
 - Class C exemptions (i.e. unoccupied and unfurnished properties) formerly entitled their owners a six month exemption period. This exemption was abolished and instead replaced with a Council Tax discount Class "C". This enabled local authorities the discretion to award a discount within a range of 0% to 100% for the 6 month period. The Council elected to award a 0% discount from 1/4/2013.
 - Second homes discount (empty furnished properties, including both genuine second homes and rented properties vacant between tenancies) used to entitle owners of the property concerned to a discount of 10%. The changes enabled the council to remove the discount entirely which was agreed.
 - Long-term empty properties (empty more than 2 years) were subject to payment of full Council Tax. The changes permitted LA's to apply a premium after the property has been empty for over two years of up to 150% of the Council Tax liability to encourage their owners to bring them back into use. The council agreed to levy this 150% premium.
- 3.3 It was forecast that these changes would raise an additional £1.2M in 2014/15 as well as reducing the number of empty properties within Brent. The amount of Council Tax lost due to exemptions has indeed fallen by £1.2M (after taking into account the GLA share) as a result of reducing the discounts and increasing the premium on long term empty properties. In addition the number of empty properties within these classes has fallen from 2,029 to 1,179, a reduction of 840. However as the charges for empty properties is in effect the same as for occupied properties some of this reduction may be due to owners failing to advise us of the property being empty. These changes have been generally accepted by those affected, there being little adverse reaction.
- 3.4 The one class where there has not been a significant drop in numbers is Class A – those that are empty due to them requiring structural works or major

repairs to make them habitable. As at end of October there were 356 properties receiving this discount whereas at the same time last year there were 400. As the council is faced with further cuts in its budget over the coming years it seems appropriate to review the level of discount granted to this class.

- 3.5 If the discount on this class was reduced from 50% to 0% this would produce forecast savings of £235,000 based on the number of properties currently receiving this discount. In addition there would not be the need to visit these properties in order to both determine their entitlement and to check their on going status, this resulting in some administrative savings. It can be argued that there is no reason why these should benefit from a discount any more than an empty property in a reasonable state of repair. In addition with property prices rising faster in London than anywhere else in the country the owners of these properties are benefitting from this windfall. The removal of the discount may encourage owners to carry out the works more speedily or even consider selling the property, both will result in the empty property being brought back into use quicker,
- 3.7 An Equality Impact Assessment was carried out a year ago when the changes to these discounts were originally agreed. Limited information is available on the Council Tax database and therefore it is not possible to analyse the potential impacts by ethnicity, race, faith, gender and sexuality. The findings have been reviewed but the conclusions from the original assessment remain:
- The changes affect non-resident owners. There is no evidence to suggest any particular group will be disadvantaged by the changes.
 - The highest density of affected properties are in the least diverse wards within the Borough (e.g. Brondesbury Park and Mapesbury) with the fewest tending to be in those areas that are most diverse, (e.g. Stonebridge and Harlesden),
 - One of the significant effects of the changes is to encourage the use of empty properties and thus increase the housing supply,
 - The changes can only have a positive affect on the residents of Brent as it will help to negate the impacts of the reductions in funding to Council services

4.0 Financial Implications

- 4.1 Any additional income from these changes is shared between the council (77.5%) and the GLA (22.5%). By reducing the discount applicable to Class A (Discount Class D) from 50% to 0% this would raise additional charges of £300,000 based on the current number of properties in this class. Brent's share of this would therefore be £235,000. This additional income would be used to help meet the savings required to balance the Council's overall budget for 2014/15

5.0 Legal Implications

- 5.1 Sections 11 and 12 of the Local Government Finance Act 2012 gives billing

authorities the discretion to vary the discounts applicable to specific classes of empty property, second homes and long term empty properties with effect from 1/4/2013 as follows:

- Class A exemptions (i.e. properties requiring major repair works or structural alterations to bring them back into a habitable condition). These were exempt from Council Tax for up to 12 months. This was abolished from 1 April 2013 and replaced with a Council tax discount Class "D". The change in statute permits Local Authorities to award a discount within a range of 0% to 100% for the 12 month period. For the 2013/14 financial year, the Council chose to award a 50% discount for this Class D. This report seeks Full Council's approval to award a 0% discount for 2014/15 for this Class D.
- Class C exemptions (i.e. unoccupied and unfurnished properties) which previously entitled their owners up to a six month exemption from Council Tax. This was abolished from 1 April 2013 and replaced with a Council tax discount Class "C". The change in statute permits Local Authorities to award a discount or discounts within the range of 0% to 100% for specified periods of time within the 6 month period. From 1 April 2013, the Council has chosen to award a 0% discount.
- Second homes (class "B") discount (empty furnished properties, including both second homes and rented properties vacant between tenancies). A discount of between 10% and 50% was permitted by statute until 31 March 2013, the Council awarded a 10% discount up until 31 March 2013. However the change in statute now permits a discount of between 0% and 50% for these homes from 1st April 2013 and from that date, the Council has chosen to award 0% discount.
- Long-term empty properties currently require their owners to make full payment of Council Tax. The statute permits Local Authorities to apply a multiplier or premium after the property has been empty for over two years of up to 150% of the Council Tax liability to encourage their owners to bring them back into use. However it should be noted that this provision allows the Government to make regulations exempting certain properties from this premium providing certain criteria are met.

5.2 The above-mentioned changes to the Council's Council Tax discounts and exemptions can only be made by Full Council. It is important that these are agreed now so that they can be incorporated into the tax base report to be presented to General Purposes Committee in January 2014.

6.0 Diversity Implications

6.1 An equality impact assessment was carried out in 2012 when these changes were originally considered. The changes have generally been accepted by all groups and have resulted in there being fewer empty properties. It is envisaged that the impacts of the proposed change to the discount applicable to Class "D" (uninhabitable empty properties) will not be any different to the findings of a year ago:-

- The changes affect non-resident owners. There is no evidence to suggest any particular group will be disadvantaged by the change.
- The properties are fairly evenly spread throughout the borough

- The changes will encourage owners to bring their properties into a decent state of repair and making them available for use

Background Papers

Report to Council 10 December 2012 – Local Council Tax Support Scheme and Changes to Council Tax Discounts and Exemptions

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