

Shadow Dorset Council

Date of Meeting	Shadow Executive - 14 January 2019
Lead Member	Councillor Tony Ferrari, Lead Member for Finance
Subject of Report	Council Tax discretionary discounts and Premiums
Executive Summary	<p>The Shadow Authority will, at its meeting in February 2019, need to agree whether Council Tax discretionary discounts are awarded in respect of empty dwellings, and second homes, and whether a Council Tax premium is charged on long-term empty properties.</p> <p>This report considers the current situation and provides rationale for the decisions made by the existing Dorset District Councils. The report also identifies the potential financial benefits of limiting the discount awarded in respect of empty dwellings to one month and increasing the premium charged on long-term empty properties from 50% to 100%.</p>
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>The proposed changes would be applied to all sections of the community. In addition, government originally undertook an impact of the reforms in 2011 and this can be found on the MHCLG website.</p> <p>Use of Evidence:</p> <p>Details of existing awards of Council Tax discretionary discounts and premiums</p> <p>Budget:</p> <p>Any costs can be met from existing budgets</p> <p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the LGR approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk LOW</p> <p>Other Implications:</p> <p>None</p>

Recommendation	<p>That Committee agrees to recommend to the Shadow Authority that:</p> <ol style="list-style-type: none"> 1. In the case of vacant dwellings which require (or are subject to) structural alterations or major repairs, a discount of 50% of the full Council Tax charge be awarded for up to a maximum period of 12 months, from 1 April 2019. Also, that in determining the period of the discount, any similar discount awarded up to 31 March 2019 be taken into account 2. In the case of vacant dwellings, a 100% discount be awarded for up to a maximum period of 1 month from the date that the property became unoccupied and substantially unfurnished. Also, that in determining the period of the discount, any similar discount awarded up to 31 March 2019 be taken into account. 3. No discretionary Council Tax discount be awarded in respect of second homes 4. In the case of dwellings which have been unoccupied and unfurnished for at least two years, a Council Tax charge of 200% be levied from 1 April 2019.
Reason for Recommendation	To help ensure that awards of Council Tax discretionary discount are made consistently and that premiums are used to help encourage owners of long-term empty dwellings to bring them back into use.
Appendices	<p>Appendix 1 – Details of current decisions in relation to Council Tax discretionary discounts and Premiums</p> <p>Appendix 2 – Number of discretionary discount, second homes and premium cases as at 30/11/18</p>
Background Papers	Existing Dorset District Council schemes for awarding Council Tax discretionary discounts and Premiums
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Date agreed by Lead Member	
Date agreed by Statutory Officers	<p>Matt Prosser – Chief Executive (Designate)</p> <p>Jason Vaughn – Interim Section 151 Officer- 18 December 2018</p> <p>Jonathan Mair – Interim Monitoring Officer – 18 December 2018</p>

1. Introduction

- 1.1 Prior to 1 April 2013, a Council Tax exemption would be awarded in respect of the following:
- A 100% exemption would be awarded (for a maximum period of up to 12 months) if the dwelling was empty due to the fact that it required structural alterations or major repairs to make it habitable
 - A 100% exemption would be awarded (for a maximum period of up to 6 months) if the dwelling had become empty and unoccupied.
- 1.2 The Local Government Finance Act 2012 revoked the above exemptions and replaced them with discretionary discounts from 1 April 2013. The Act also introduced powers allowing Councils to charge up to 100% of the Council Tax, in

respect of second homes, and to charge a 50% premium in respect of dwellings which have been unoccupied and unfurnished for at least two years. The legislation was introduced to provide Councils with greater discretion over the awarding of certain Council Tax discounts and enable them to raise additional income to the Council Tax Collection Fund.

- 1.3 The table at Appendix 1 sets out the current position in relation to the aforementioned discounts and premium. Committee will note that there is a level of consistency across the Dorset District Councils but that West Dorset and Weymouth & Portland Councils award (up to) a further two months discretionary discount in respect of empty dwellings.
- 1.4 Government has recently introduced legislation allowing Councils to charge a long term empty premium of 100%, effective from 1 April 2019. This also provides for further increases to be charged from 1 April 2020 if the property has been continuously empty for at least 5 years.

2. Current position

- 2.1 It is understood that the decisions to award discretionary discounts were made in recognition that owners will, in certain circumstances, require time to bring property back into a reasonable state of repair before it can be sold or re-let. Likewise, the rationale behind the decisions not to award a discount on second homes and to charge a premium on long-term empty properties was to, hopefully, increase the availability of local accommodation.
- 2.2 Some Councils have taken the decision not to award a discretionary discount in respect of empty properties. However, available anecdotal information suggests that this results in increased administration costs as the Council is faced with having to recover small debts which may not be cost effective to collect.
- 2.3 The table at Appendix 2 sets out the number of Council Tax discretionary discounts awarded, number of second homes and long-term empty premiums charged, as at 30 November 2018. (This is the data that will be used for Council Tax setting purposes).

3. Proposal

- 3.1 At its meeting on 20 February 2019, the Shadow Authority will need to determine whether Council Tax discretionary discounts are awarded in respect of empty properties, whether any discount is awarded in respect of second homes and also whether a premium is charged on long-term empty properties. Having regard to the data provided in the appendices, Officers recommend that the following decisions are made.

I. In respect of a dwelling which is empty due to it requiring structural alterations or major repairs to make it habitable

In line with the decisions made by the Dorset District Councils, that a 50% Council Tax discretionary discount be awarded (for up to a maximum period of 12 months) in recognition that it may take some time to bring the property back to a reasonable state of repair. Also, that in determining the period of the discount, any similar discount awarded up to 31 March 2019 be taken into account.

II. In respect of a dwelling which becomes empty

In line with the decisions made by East Dorset, North Dorset and Purbeck Councils, that a 100% Council Tax discretionary discount be awarded (for up to a maximum period of 1 month) to allow for any redecoration/repairs to be carried out to the property. Also, that in determining the period of the discount, any similar discount awarded up to 31 March 2019 be taken into account.

III. In respect of second homes

In line with the decisions made by the Dorset District Councils, that no Council Tax discretionary discount be awarded in respect of second homes.

IV. In respect of long-term empty properties.

That, a 100% Council Tax premium be charged, effective from 1 April 2019, on dwellings that have remained unoccupied and unfurnished for at least two years. This will, ideally, help encourage owners to bring long-term empty properties back into use as they would be subject to a Council Tax charge of 200% (in total) if the property remains empty.

3.2 The table below sets out the estimated potential additional income that could be generated by the above proposals.

Proposal	Additional income £	Notes
Awarding a 50% discretionary discount (for up to 12 months) in respect of dwellings which require structural alterations/major repairs	0	No additional income as decision in line with current practice
Awarding a 100% discretionary discount (for up to 1 month) on empty dwellings	310,000	Based on reducing WDDC and WPBC awards by 2/3rds
Not awarding a discretionary discount on second homes	0	No additional income as decision in line with current practice
Increasing the premium charged on long-term empty dwellings from 50% to 100%	240,000	Based on estimated number of long-term empty properties
Total additional income	£550,000	

4. The next steps

4.1 If Committee agrees to make the recommendations to the Shadow Authority, letters will be sent to the owners of long-term empty properties advising them of the potential increase in charges from 1 April 2019 and encouraging them to bring the dwelling back into use before then.