

Shadow Executive (Cabinet)



Title of Report:	West Suffolk Council Tax Technical Changes – Including Empty Property Reliefs and Premiums Changes	
Report No:	EXC/SA/18/004	
Report to and dates:	Shadow Executive (Cabinet)	10 July 2018
	Shadow Council	17 July 2018
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Purpose of report:	To agree the West Suffolk Council Tax Technical Changes including Empty Property Reliefs and Premiums from 1st April 2019.	
Recommendation:	It is <u>RECOMMENDED</u> that, subject to the approval of Shadow Council, the Shadow Executive (Cabinet): 1) Approves the West Suffolk Council Tax Technical Changes – Second Homes set out in Section 1.4 of Report No: EXC/SA/18/004, from 1st April 2019. 2) Approves the West Suffolk Council Tax Technical Changes – Empty Property Reliefs as set out in Section 1.4 of Report No: EXC/SA/18/004, from 1st April 2019.	

	3) Subject to the coming into force of legislation accordingly on 1 April 2019, approve an additional 50% Council Tax premium on long term properties raising the current premium to 200% as set out in Section 1.4 of Report No: EXC/SA/18/004.		
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>		
Consultation:	As set out in the main body of the report.		
Alternative option(s):	A scheme that is less or more favourable could be considered however these were discounted as set out in the main body of the report.		
Implications:			
<i>Are there any financial implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	As set out in the body of the email.
<i>Are there any staffing implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	None as a result of this report
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	None as a result of this report
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<ul style="list-style-type: none"> The adoption of these technical changes will ensure a single approach across the West Suffolk Council
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<ul style="list-style-type: none"> A Screening Equality Impact Assessment for the proposed changes, has been carried out and no equality concerns were highlighted.
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Risk of new guidelines not being implemented by staff	Low	Training and guidance given to staff	Low
Changes may result in substandard properties coming onto the market	Medium	Keep under review through housing standards team. Experience in St Edmundsbury hasn't seen this risk materialise.	Low
Ward(s) affected:		All Wards	

Background papers: <i>(all background papers are to be published on the website and a link included):</i>	Council Tax Base for Tax Setting Purposes 2018/2019 <ul style="list-style-type: none"> • Forest Heath – CAB.FH.17.063 • St Edmundsbury – CAB.SE.17.069
Documents attached:	None

1. Key issues and reasons for recommendation(s)

Background

- 1.1 Since April 2013, Councils have the discretion to charge up to 100% for some previously exempt properties, to charge up to 100% in respect of furnished empty properties (usually referred to as holiday homes), to charge up to 100% in respect of second homes and to charge up to 50% empty homes premium for properties that had been empty for over 2 years. These discretions are described in this and previous council reports as the 'Council Tax Technical Changes'.
- 1.2 In offering these new powers the Government were seeking to influence owners to bring empty homes back in to use as well as the ability for councils to increase council tax income.
- 1.3 As part of the 2017 government budget it was announced that the Government would be implementing new flexibilities in respect of charging an additional 50% Council Tax on long term empty property premiums. Whilst this flexibility is not in place at this moment in time, it is anticipated that this will come into effect on 1 April 2019. Once in force, these powers will provide local authorities with the ability to implement a scheme that would enable 200% Council Tax charge on properties that have been empty for longer than 2 years (deemed as a long term empty property).

The current position and proposed approach

- 1.4 The following table sets out the differences between the current schemes and the approach proposed for West Suffolk Council.

	Forest Heath	St Edmundsbury	West Suffolk
Empty, substantially unfurnished	100% discount for 1 month	100% discount for 1 week	100% discount for 1 week
Empty, unfurnished and undergoing major repairs to render habitable	30% discount for 12 months	10% discount for 12 months	10% discount for 12 months
Second homes	0% discount	0% discount	0% discount
Long Term empty homes premium (property empty more than 2 years)	150% charge	150% charge	200% charge

- 1.5 As the second homes element is already aligned it is proposed that this continues into the West Suffolk Council.

Recommendations for alignment of empty property reliefs and new long term empty property premium

- 1.6 It is proposed that in terms of the empty property reliefs that the following objectives are set for the new scheme. The scheme should:
- not be rewarding landlords for having properties left empty
 - take the Councils' Financial context into account
 - be capable of being supported by the major preceptors (Suffolk CC and Police)
- 1.7 In order to deliver against these objectives, particularly to have less empty properties within our overall borough/ district housing stock, it is proposed that the new West Suffolk Council adopts the empty property reliefs set out in section 1.4.
- 1.8 The empty & unfurnished proposal would allow landlords effectively five weeks in order to establish a new tenant. The rationale behind this is that typically one months' notice is provided as part of the tenancy agreement and a further one weeks exemption allows five weeks for a landlord to be able to find, new tenants and prepare the property ready for a new tenancy. It is worth reminding Members that Council Tax due on a property available for rent is eligible to be deducted from the cost of operating that business model by the landlord as a taxable deduction.
- 1.9 It is worth noting that the above proposals in respect of the empty properties will not impact registered social landlords as they currently receive a Class B exemption which gives them six months empty time period in order to turn around a void property.
- 1.10 It is proposed that the new West Suffolk Council adopts the new additional 50% premium flexibility that is available on long term empty properties in order to continue to support our ambitions to bring empty properties back into use as soon as possible and to incentivise landlords to do so by adding financial penalties through the additional premium to long term empty properties.
- 1.11 Councils around the East of England vary in how long an exemption they give for empty and unfurnished properties. Fenland District Council, for example, does not offer any exemption; Babergh District Council offers a 25% discount for three months; and East Cambridgeshire offers a one month exemption. For empty and uninhabitable properties, practice around the East of England also varies, from no discount in Fenland to 50% discount for one year in Breckland District Council.

2.0 Modelling the proposed changes and Potential Other OptionsEmpty & Unfurnished Relief

- 2.1 The cost of the current scheme across the West Suffolk Councils totals £271,000 per annum. The revised cost of moving to a one week scheme is £130,000. Although this creates a saving, it is worth noting that the scheme cost is to all major preceptors, the district/borough share is around 11-12% of this total cost.

- 2.2 The average days void for Forest Heath is 36 days and 28 days for St Edmundsbury. A one week scheme would support around 1800 accounts (approximately 25% of all empty West Suffolk property accounts) based on the 2016/17 data.
- 2.3 An example of the potential financial implication of the proposed new scheme - A landlord who rents out a 3 bed Band D property in Mildenhall attracts a £1,683.34 Council Tax charge a year, and receives £18,000 in rent. The property lies empty between tenants for a month. At the moment, the current scheme would offer a council tax discount of £140.28, with no payment due by the landlord during the month the property sat empty. Under the proposed changes, a council tax discount of £32.37 would be given, leaving £107.91 due by the landlord during the month the property sat empty.
- 2.4 The move to a 1 month exemption across West Suffolk would cost £402,000 per annum, an additional cost of £131,000 per annum to the major preceptors. In terms of our objectives, this option wouldn't demonstrate a strong strategic fit. It doesn't incentivise empty properties back into use, it adds to the Council financial challenges and is unlikely to be supported by other precepting authorities.

Empty, unfurnished and undergoing major repairs to render habitable

- 2.5 The two current West Suffolk councils schemes cost a total of £20,000 per annum. The revised cost of moving to 10% discount for 12 month scheme being £10,000. It is worth noting that the scheme cost is to all major preceptors, the district/borough share is around 11-12% of this total cost. The same number of accounts would be entitled to the relief, the impact would be a reduction in the level of that relief from 30% to 10%.
- 2.6 The move to a 30% discount for 12 months across West Suffolk would cost £31,000 per annum, an additional cost of £11,000 per annum to the major preceptors. In terms of our objectives, this option wouldn't demonstrate a strong strategic fit. It doesn't incentivise empty properties back into use, it adds to the Council financial challenges and may not be supported by other precepting authorities.

3.0 Engagement

- 3.1 In order to test the draft proposals, and ensure they didn't have any unintended consequences, or disproportionate impacts on particular groups, a link to the web pages that explained the changes was sent to key stakeholder groups (as listed below) along with an email address for responses. The information was also circulated to all Members.
- 3.2 Key stakeholder groups contacted were:
- Suffolk Chamber of Commerce
 - RAF Lakenheath and Mildenhall (due to the US Visiting Forces' reliance on the private rented sector in West Suffolk)
 - West Suffolk Lettings Partnership
 - West Suffolk Landlords Forum
 - Letting Agents

- 3.3 In order to allow a reasonable time for responses to be made, the engagement period will continue beyond the circulated date for this report. Comments received from stakeholder will be reported orally at the meeting in order to inform the discussion.
- 3.4 By the time of writing this report, one response had been received from a councillor, highlighting concerns that the change to the time period for council tax discounts will result in poorer quality properties being put on the market for rent. This concern should be mitigated by landlords being able to plan ahead to have repairs carried out between tenancies, and where longer vacant periods were required, being able to plan ahead to absorb the costs. Where there were problems with housing standards, this would be addressed by the Council's housing standards team through advice and enforcement action where necessary.
- 3.5 Poorer housing quality had also not been the experience in St Edmundsbury, where the exemption period of 1 week had not resulted in a noticeable rise in housing standards complaints.
- 3.6 A verbal update will be provided at the meeting where further responses have been received through the engagement process.