

 Executive – 11th December 2013		Agenda Item No. 9
Title	Council Tax Uninhabitable Discount	
For further information about this report please contact	David Leech Exchequer Manager 01926 456052 e mail: david.leech@warwickdc.gov.uk	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	Yes

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	19/11/13	Andy Jones
Head of Service	19/11/13	Mike Snow
CMT	19/11/13	Chris Elliot, Bill Hunt and Andy Jones
Section 151 Officer	19/11/13	Mike Snow
Monitoring Officer	19/11/13	Andy Jones
Finance	19/11/13	Mike Snow
Portfolio Holder(s)	19/11/13	Cllr Mobbs
Consultation & Community Engagement		
A copy of the report has been circulated to Warwickshire County Council and the Warwickshire Police and Crime Commissioner		
Final Decision?		

1. SUMMARY

- 1.1 This report explores the option to introduce a local discount for owners of uninhabitable properties to replace the statutory exemption which was abolished by the Government with effect from 01 April 2013. In doing so it is anticipated that the level of long term (in excess of 6 months) empty properties will reduce thereby increasing the Council's New Homes Bonus award. It is not proposed to alter the discount for empty properties which currently attract a discount of 100% for 1 month only.

2. RECOMMENDATION

- 2.1 It is recommended that the Executive agree the introduction of a 100% council tax local discount for uninhabitable properties up to the statutory maximum period of 12 months.

3. REASONS FOR THE RECOMMENDATION

- 3.1 Whilst the introduction of the discount will reduce the level of council tax collected there is the potential of a greater financial gain from New Homes Bonus as a result of the categorisation of these properties as uninhabitable rather than long term empty. Long term empty properties have a direct impact on the level of New Homes Bonus awarded – the fewer we have, the greater the award.
- 3.2 The discount will provide financial assistance for owners that are seeking to bring properties back into use.

4. POLICY FRAMEWORK

- 4.1 As a result of the abolition of the statutory uninhabitable exemption, in December 2012 the Council resolved that from 01st April 2013 no discount would be awarded other than the 1 month agreed for all other empty properties. If a revision to this decision is agreed the effective date will be 01 April 2014.
- 4.2 In resolving to award a nil discount for uninhabitable properties for 2013/14 the anticipation was that it would provide an incentive for owners to bring back properties into use in line with the Council's empty property strategy. Whilst this is no doubt happening to a degree there have been some unintended consequences that have been evidenced within the Council Tax section;
- a) Letters and feedback has been received from owners expressing dissatisfaction that in their view they are being financially penalised by having to pay full Council tax whilst they bring properties into use. Potential owners looking for suitable properties to bring back into use could be tempted to look across the border to our neighbouring Warwickshire Authorities all of whom offer some discount for uninhabitable properties.
 - b) Some owners who are disinclined or unable to bring a property back into use have approached the Valuation Office Agency (VOA) to have properties removed from banding in order to avoid paying Council tax. For example a property in the centre of town has had the roof removed in order that the VOA will take the property out of banding. Clearly no Council Tax will be received in such circumstances and a reduction in the overall numbers of properties adversely affects our new homes bonus.

We have also experienced that guidelines for when a property should be removed from banding are not always followed consistently by the VOA not least because of their reduced capacity to inspect properties. This has resulted in increased inspection activity from Council tax inspectors to check the validity of the VOA's actions.

- 4.3 Council Tax are actively working with Housing Strategy to identify owners of empty and uninhabitable properties and advise them of options and assistance available to them in bringing their property back into use.

5. BUDGETARY FRAMEWORK

- 5.1 The decision not to award a discount for uninhabitable properties for 2013/14 will have increased the level of Council tax that will be collected for this year. Although it is not possible to be precise around the figures in the past 5 years we have averaged approximately 100 recorded uninhabitable properties at any point during the year.

No. of Uninhabitable properties	Total Council Tax collectible on average band D of £1506.20 for 11 months (1 month discount)	Retained by WDC (approx 10%)	Retained by WCC (approx 80%)	Retained by Police Authority (approx 80%)
100	£138,068	£13,807	£110,454	£13,807

If it is agreed to introduce the discount then the above is an estimate of the reduced council tax that will be collected for 2014/15.

- 5.2 Should the discount be introduced then it is likely we will have approximately 100 uninhabitable properties at any point in time of which 50 will have been empty in excess of 6 months. Consequently 50 properties would be categorised by the Government as uninhabitable which would have otherwise have been long term empty properties. Should the level of long term empties remain otherwise static the financial benefit for Warwick District Council of such a shift is indicated as follows;

Reduction in number of Long Term empty properties	New Homes Bonus on average Band D of £1506.20	Retained by WDC – 80%	Retained by WCC – 20%
50	£75,310	£60,248	£15,062

The net potential increase for Warwick District Council is (£60,248 - £13,807) = £46,441

- 5.3 In view of the financial implications for Warwickshire County Council and Police authority detailed above, draft reports were issued to both for information and comment. The following feedback has been received from John Betts, Warwickshire County Council.

"Warwickshire County Council strongly opposes this proposal. It is disappointed that Warwick District Council sees fit to introduce a proposal that reduces the funding available to the local area overall (as Warwick District Council gain £46k. but at a cost of £95k to Warwickshire County Council's and a loss to Warwickshire Police of £14k). Inevitably this overall loss of funding will mean a reduction in the level of service to

Warwick taxpayers. This would seem to be a counter intuitive action to take on behalf of local citizens."

It should be noted however that the Council tax loss indicated above will be offset by the proposal to implement a 7.5% reduction in the level of the Local Council tax reduction scheme for 2014/15 and 15% for 2015/16.

6. ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 The Executive could decide to leave the position unchanged i.e. there will be no discount for uninhabitable properties. This could be a missed opportunity in terms of greater revenue being received via the New Homes Bonus route. Additionally it could be viewed that we are financially penalising owners who are making efforts to bring a property back into use.
- 6.2 The Executive could decide to introduce a discount at a different rate i.e. 50%. Any discount less than 100% will mean that owners will start paying some Council Tax after 1 month of a property becoming empty. A full discount would give a greater incentive to the owner to register the property as uninhabitable

7. BACKGROUND

- 7.1 For Council Tax purposes an uninhabitable property is one where no one is living in the property because:
- the property requires or is currently having major repair work to make it suitable to live in; or
 - work is underway to make structural alterations and the majority of this work has not been completed
- 7.2 Regardless of the level of discount awarded for an uninhabitable property, after a maximum period of 12 months the owner will be liable for full Council Tax charges. Full Council tax charges will continue to apply until the property has been empty 2 years at which point a premium of 50% is applied i.e. 150% Council tax.
- 7.3 The discretion for Councils to introduce their own discount for uninhabitable properties was part of broader measures contained within the Localism Act which also gave Councils discretion over the level of discounts available from Council Tax in respect of second homes and other empty properties. This replaced the statutory exemptions that existed for empty and uninhabitable properties
- 7.4 Historically on average we have had at any one time approximately 100 properties classified as uninhabitable when the statutory exemption was in place prior to 1st April 2013. The Council resolved not to replace the exemption with a discount for 2013/2014 and as a consequence there has been no financial benefit for an owner to report that a property is uninhabitable. These properties have therefore been classed as an empty property and, after 6 months, a long term empty property.
- 7.5 New Homes Bonus is awarded according to the number of new homes that are built and banded for council tax purposes in a 12 month period. This figure is then adjusted according to the level of long term empties at a certain point in time. If the level of long term empty properties reduces then this figure is added to the number of new homes and boosts the award. Conversely an increase in long term empties is deducted from the number of new homes and the award is reduced accordingly.

- 7.6 The level of long term empty properties has increased by 70 in the past 12 months which is undoubtedly due in part to the fact that uninhabitable properties are no longer being registered as such and are being classed with other empty properties. Consequently, although in the preceding 12 months we had an additional 208 new dwellings, we shall only receive the benefit of New Homes Bonus on 138 of those properties in calculating the 2014/15 NHB allocation.