

FAREHAM

BOROUGH COUNCIL

Report to Council

05 December 2019

Subject: **COUNCIL TAX DISCOUNT SCHEME**

Report of: **The Deputy Chief Executive Officer**

SUMMARY

This report sets out the current mandatory and discretionary Council Tax Discounts, Exemptions, Reliefs and Premiums that apply to Council Tax Payers in Fareham as attached in Appendix A to this report. It also recommends a) the adoption of a new Council Tax reduction for young adults leaving the care system and b) changes to the discounts and premiums on empty properties and properties undergoing/requiring major works.

RECOMMENDATION

It is recommended that the Council approve:

- (a) the approach for the proposed policy for up to 100% of the Council Tax for properties occupied by Care Leavers under 25 years of age, to be considered as irrecoverable (Section 10 of Appendix A to the report); and
- (b) the latest discretionary reductions and premiums set out in Section 9 of Appendix A to the report for:
 - (i) 0% discount for properties which are unoccupied and unfurnished for less than 2 years (Class C);
 - (ii) 0% discount for properties requiring major works to render them habitable (Class D);
 - (iii) 100% to 300% Long Term Empty property premiums for properties which have been unoccupied and unfurnished for more than 24 months.

INTRODUCTION

1. Fareham Borough Council is the designated Billing Authority and therefore responsible for the collection of Council Tax and distributing it to the precepting bodies. Council Tax is a local contribution to the many services provided in the borough by Fareham Borough Council, Hampshire County Council, Hampshire Police & Crime Commissioner and Hampshire Fire and Rescue Service.
2. Some properties or households are eligible for discounts, reliefs or exemption from Council Tax, reducing their Council Tax bill. Most of these are mandatory reductions and contained in Legislation, other adjustments are discretionary and can be set locally by the Council. A full summary of all Council Tax reductions is attached in the report Appendix.
3. This report seeks approval for some proposed changes to the discretionary reductions and premiums that can be applied to Council Tax bills, in relation to empty properties and care leavers.

EMPTY PROPERTIES

4. In 2012 and 2018 the Government made changes to the provisions for Council Tax Discounts, Exemptions and Premiums as part of an overall strategy to bring empty properties into productive use. The government abolished some mandatory exemptions and gave Billing Authorities the power to provide local discounts (lower discount or no discount at all). In addition to this, Councils could charge a premium on properties that had been empty over 2 years.
5. Fareham has a shortage of affordable residential accommodation and there are currently over 1,104 people on the housing waiting list. Fareham is therefore taking this opportunity to encourage homeowners to bring back empty properties into use, as follows.

Unoccupied and Unfurnished Property (Class C)

6. The 2012 changes abolished the exemption for unoccupied and unfurnished properties for the first 6-months from when the property became empty. Fareham maintained the 6-month exemption as a 100% discount from 2013 but in January 2019, the Executive agreed to reduce this discount from 6-months to 1-month from 1 April 2019.
7. The proposal is to further reduce this discount from 1 April 2020 to nil, meaning that there would be no discount on unoccupied and unfurnished properties which have been vacant for a period of less than 2 years. This is set out in Paragraph 9:1 of the Appendix to this report.
8. There are 141 properties receiving the 1-month discount (or a proportion of the 1 month) at 31 October and the annual discount is estimated to cost £195,000 per year. If this discount was removed, Fareham's share of the saving is estimated at £19,500.

Properties undergoing major repairs or structural alterations to render them habitable (Class D Previously Class A)

9. The 2012 changes also abolished the exemption for unoccupied and unfurnished properties undergoing major repairs or structural alterations to render them habitable.
10. Fareham maintained the 100% exemption for a period of up to 12 months, as a discount from 2013, but in January 2019 the Executive agreed to reduce this discount to 50% for up to 12 months, from 1 April 2019.
11. The proposal is to further reduce this discount from 1 April 2020 to nil, meaning that there would be no discount on unoccupied and unfurnished properties undergoing major repairs or structural alterations to render them habitable. This is set out in Paragraph 9:2 of the Appendix to this report.
12. There are 61 properties receiving this up to 12-month discount (or a proportion of the 12 months) at 31 October and the annual discount is estimated to cost £48,000 per year. If this discount was removed, Fareham's share of the saving is estimated at £4,800.
13. For properties in a derelict state, the Valuation and Listing Office, the Agency responsible for Banding properties for Council Tax purposes, may decide to remove the property from the Banding List.

Premiums for Unoccupied & Unfurnished Properties empty in excess of 2 years

14. The changes in 2012 also gave Billing Authorities the ability to levy a 50% premium on properties which had been unoccupied and unfurnished for a period of more than two years. Fareham agreed to levy a premium and have charged a 50% premium on this type of property since 1 April 2013.
15. In 2018, the Government made additional changes, giving Billing Authorities the power to raise increased premiums on properties which have been unoccupied and unfurnished for more than two years, as follows:
 - (i) From 1 April 2019 to 31st March 2020 where the property has been empty over two years, a 100% premium.
 - (ii) From 1 April 2020 to 31st March 2021 where the property has been empty between two to five years a 100% premium and where the property has been empty over five years, a 200% premium.
 - (iii) From 1 April 2021 where the property has been empty between two to five years a 100% premium, where the property has been empty between five and ten years a 200% premium and for property that has been empty over ten years, a 300% premium.
16. The Executive agreed to increase this premium to 100% from 1 April 2019. However, it is now proposed that additional premiums as proposed by the Government are introduced from 1 April 2020 and 1 April 2021 for properties which have been unoccupied and unfurnished for 2 to 5 years, 5 to 10 years and over 10 years, to continue to support the Council in encouraging empty properties to be brought back into use and releasing much need housing. This is set out in Paragraph 9:3 of the Appendix to this report.
17. At 30 September 2018 there were 54 properties which had been unoccupied and

unfurnished more than 2 years. This number reduced to 46 properties by September 2019. 7 of these long-term empty properties have been unoccupied and unfurnished for over 10 years.

18. The tables below show the premiums that would be collected under the proposed policy compared to the current policy.

Table 1 – Increased Charge under Current Policy			
Band	No of Properties	100% Premium Additional income	FBC Share
A	8	£8,886.72	£888.67
B	6	£7,775.88	£777.59
C	12	£17,773.56	£1,777.36
D	7	£11,663.82	£1,166.38
E	5	£10,182.70	£1,018.27
F	6	£14,440.92	£1,444.09
G	2	£5,554.20	£555.42
H	0	£0.00	£0.00
Total	46	£76,277.80	£7,627.78

Table 2 – Increased Charge under Proposed Policy							
Band	Empty 2 to 5 Years	Empty 5 to 10 Years	Empty over 10 years	100% Premium Additional Income	200% Premium Additional Income	300% Premium Additional Income	FBC Share
A	3	4	1	£3,332.52	£8,886.72	£3,332.52	£1,555.18
B	4	1	1	£5,183.92	£2,591.96	£3,887.94	£1,166.38
C	5	5	2	£7,405.65	£14,811.30	£8,886.78	£3,110.37
D	5	2	0	£8,331.30	£6,665.04	£0.00	£1,499.63
E	1	1	3	£2,036.54	£4,073.08	£18,328.86	£2,443.85
F	3	3	0	£7,220.46	£12,219.24	£0.00	£1,943.97
G	0	2	0	£0.00	£11,108.40	£0.00	£1,110.84
H	0	0	0	£0.00	£0.00	£0.00	£0.00
TOTAL	21	18	7	£33,510.39	£60,355.74	£34,436.10	£12,830.22

19. The net effect would raise additional income for Fareham of £5,202.44 (£12,830.22 less £7,627.78).

CARE LEAVERS

20. Care leavers are amongst the most vulnerable groups in our society. Hampshire County Council have been undertaking several initiatives to help care leavers which have included a recommendation that Billing Authorities offer reductions in Council

Tax to this category of resident.

21. It is proposed that Fareham Borough Council does offer a reduction in Council Tax by considering the Council Tax due as irrecoverable either in full or in part, as a way of providing practical help and financial assistance to care leavers whilst they are developing independent lives and their individual life skills.
22. The policy is detailed in Section 10 of the report Appendix and seeks to offer up to a 100% reduction for Care Leavers aged between 18 and 25, where previously any English based local authority had been acting as the corporate parent. The reduction (by considering the Council Tax as irrecoverable) can be applied if they pay Council Tax or live with someone who pays Council Tax in Fareham: the reduction can be awarded retrospectively from 1 April 2019 forward.
23. To qualify for their Council Tax to be considered irrecoverable the Care Leaver must:
 - Be aged 25 years and under
 - Have their main residence in the borough of Fareham
 - Be liable for Council Tax (Solely or jointly) or
 - Move into a household and cause an increase in Council Tax liability (e.g. the loss of single resident discount)
 - Be able to provide evidence of their care leaver status
24. The reduction in Council Tax will be granted after any entitlement to other appropriate Legislative discounts or exemptions have been awarded (this may include Council Tax Support, single resident Discount or relevant disregards).
25. It is difficult to estimate how many care leavers would choose to locate to Fareham and how many of these would be liable to Council Tax on their own or jointly with another person or cause an increase the Council Tax payable by moving into a property.
26. Research suggests that we may only have only 4 care leavers aged between 18 and 25 years and only three of those are liable for Council Tax. Of the three liable to Council Tax, two pay an amount and one receives 100% Council Tax Support. The fourth Care Leaver resided in a property with other adults and had no impact on the Council Tax liability. If we were to consider 100% of the Council Tax liability as irrecoverable in these cases, the total cost in 2019/2020 would be **£1,055.30**.
27. The policy will be monitored and if the number of Care Leavers increased significantly, the policy may be reviewed.

RISK ASSESSMENT

28. An Equality Impact Assessment has been considered and ruled as not necessary as the policies will be applied consistently to all households meeting the criteria as stipulated in the policy. There are no significant risk considerations in relation to this report.

CONCLUSION

29. The owner of an empty property has every right to decide to leave that property empty, however there is a housing shortage in Fareham and these changes set to

encourage owners to bring their properties back into use and bring those properties back into use sooner. Where an owner prefers to leave their property empty in the longer term, then an additional Council Tax should be payable as recommended.

30. The approach for the proposed policy for up to 100% of the Council Tax for properties occupied by Care Leavers under 25 years of age, to be considered as irrecoverable, will assist some of the most vulnerable people in our society
31. The Council is asked to approve the Changes in the Recommendations above and detailed in the Appendix to this report.

APPENDICES:

Appendix A: The Proposed Council Discounts, Reliefs, Exemption and Premium Policy

BACKGROUND PAPERS:

In January 2019 we consulted Fareham residents on the proposed changes to empty property discounts, which were later implemented from April 2019. Of the 510 residents who responded to the survey:

Empty Properties - 78% of residents felt it was reasonable to reduce the 100% discount on empty and unoccupied properties from 6 months to 1 month only (from the date the property first became vacant).

Major Works – 82% of residents felt it was reasonable to reduce the 100% discount granted for up to 12 months, on empty and unoccupied properties, requiring or undergoing major works to make them habitable, to a 50% discount for 12 months.

Long Term Empty properties - 85% of residents felt it was reasonable to increase the premium payable on properties which have been empty and unoccupied for more than 24 months from 50% to 100% (meaning that the owner of the property would pay 200% Council Tax).

REFERENCE PAPERS:

The Local Government Finance Act 2012 Section 11

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

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