Summary

This report follows on from a report to the 12 September 2012 Executive.

The anticipated, associated legislation has recently been laid and comes into force on 1 April 2013. The legislation that has been laid is largely in line with officers’ expectations. However, due to changes in legislation and terminology the original recommendations have been re-written in accordance with the revised legislation.

The Council is now required to formally accept the approach and proposals as agreed at the September Executive.

There is also an additional recommendation that uses the Council’s discretionary powers to recognise and provide full discount towards the Council Tax charges due for properties left empty or unoccupied by members of the armed services in the course of their duties.

Recommendations

1. Scrutiny Committee is requested to consider and comment upon the contents of the report.

2. Executive is requested to approve the following recommendations regarding changes to Council Tax discounts and exemptions.

These recommendations were subject to the government laying the associated legislation. The legislation has now been laid and does not affect the earlier decisions made.

(i) Note Executive’s earlier decisions made on 12 September 2012:

- Charge full Council Tax on second homes and furnished properties that are not the sole or main residence of any individual;
- Award 50% discount for properties subject to major repairs or structural alterations (class A) up to 12 months;
- Award 100% discount for one month and then zero% discount for the remaining period up to six months for properties that are empty and unfurnished (class C);
• Charge full Council Tax (100%) by reducing the discount on long term empty properties to zero% of the Council Tax due; and
• Charge an empty homes premium resulting in Council Tax of 150% for properties that have been empty and unfurnished for more than two years.

(ii) Note the impact of the revised legislation on the terminology used to describe classes of dwellings and exemption categories.

(iii) Commend the following revised recommendations to Council (based on the revised legislation and new terminology used to describe dwelling classes and exemption categories).

Class B dwellings – unoccupied furnished dwellings

The Council will not award any discount on these properties. The charge will therefore be set at 100% of the Council Tax that is due.

Class C dwellings – unoccupied and unfurnished

The level of discount will be set at 100% for the first month that a property is empty. After this period the Council will award no further discounts. The charge for a class C dwelling will therefore be set at 100% of the Council Tax that is due after being empty for one month.

After a property has been empty for more than two years the Council will introduce an Empty Homes Premium. This shall be set at 150% of the Council Tax charge due for the property.

Class D dwellings – properties undergoing major repair or structural alteration

The level of discount shall be set at 50% for a period up to twelve months where the property meets the criteria. After which the property will revert to a class C charge (100% for a further twelve months and then 150% after two years).

(iv) Endorse the recommendation to use the Council’s discretion to fully discount those unoccupied properties left unoccupied by armed forces personnel in the course of their duties.

(v) Commend this decision to Council.
Wards Affected:

The changes already announced and proposed, in the main, will have a detrimental financial impact on residents in all wards of the city.

<table>
<thead>
<tr>
<th>Community Strategy Spine</th>
<th>Summary of the contribution to the strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance of the economy of the region and sub region</td>
<td>The changes could have a detrimental financial impact on residents in all wards of the city. Property owners and landlords will also be negatively impacted and this may have some impact on the property market.</td>
</tr>
<tr>
<td>Reaching full potential in education and employment</td>
<td>Where possible the proposals have been considered to ensure that they do not have a negative impact on the transition into work or maintaining employment</td>
</tr>
<tr>
<td>Individual and collective self esteem – mutual respect</td>
<td>N/a</td>
</tr>
<tr>
<td>Neighbourhoods of Choice</td>
<td>The changes to Council Tax discounts and exemptions will have an impact on the city’s property market, as by charging for empty homes and premiums for long term empties it is aimed that properties will be let and occupied promptly.</td>
</tr>
</tbody>
</table>

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The Council is using an assumed level of income from these changes to support the delivery of the local Council Tax Support Scheme which is a means tested scheme to support those households on low income to meet their Council Tax liability.

In assuming a level of income from changes to how empty properties and second homes are charged, there is a high level of assumption and some risk due to unknown behaviour changes and market reactions to the proposals.

Financial Consequences – Capital

None
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Julie M Price  Head of Revenues, Benefits and Shared Services  953 8202
E-mail  j.price2@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Agenda and minutes of Finance Scrutiny 6 September 2012.
- Agenda and minutes of Executive 12 September 2012.
1. Introduction and background

Full details of the original (pre April 2013) property (dwelling) classes where no-one is resident, exemptions, disregards and discounts are attached as appendix one and details of the post April 2013 legislation is shown as appendix two.

The Council has been aware of the government’s proposals in respect of changes to:

- Remove exemptions for unoccupied and substantially unfurnished properties and replace with a locally set discount.
- Remove exemptions for properties subject to major repairs or structural alterations.
- Introduce a locally set empty homes premium of 150% of the charge due for properties that have been unoccupied and substantially unfurnished for more than two years.
- Increase the level of local discretion for unoccupied and furnished properties (includes second homes) to allow Councils to charge 100% of the Council Tax charge.

Although legislation had not been set, the Council had to consider the impacts of these changes earlier in the year, as part of its planning for a local Council Tax Support Scheme and loss of government grant (replacement for Council Tax Benefit from April 2013). There was an assumption and agreement that additional income generated from the proposed changes to Council Tax discounts and exemptions as detailed above should be used to partially mitigate the impact of the loss of Council Tax Benefit grant. Income of £2 million was assumed for planning purposes.

The Council considered the options at both Finance Scrutiny Committee and the Executive in September 2012 and the following approach was agreed.

- Charge full Council Tax on second homes and furnished properties that are not the sole or main residence of any individual;
- Award 50% discount for properties where there are major repairs or structural alterations up to 12 months;
- Award 100% discount for one month and then zero% discount for the remaining period up to six months for properties that are empty and unfurnished;
- Charge an empty homes premium resulting in Council Tax of 150% for properties that have been empty and unfurnished for more than two years;
- Charge full Council Tax (100%) by reducing the discount on long term empty properties to zero% of the Council Tax due; and
- Establish a local discount and exemption scheme to support strategic objectives*.

*This recommendation formed part of the Council Tax Support consultation and is now separate to this report.

The following table summarised the Executive’s intention and the recommended approach to charging for unoccupied and furnished and empty (unfurnished) properties from 1 April 2013.
### Table: Taxation of Vacant Property

<table>
<thead>
<tr>
<th>Major repairs/structural alterations</th>
<th>First year</th>
<th>Second year</th>
<th>More than 2 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 - 1 month</td>
<td>1 - 6 months</td>
<td>6 - 12 months</td>
</tr>
<tr>
<td>---</td>
<td>50%</td>
<td>100%</td>
<td>150%</td>
</tr>
<tr>
<td>Empty and unfurnished</td>
<td>nil</td>
<td>100%</td>
<td>150%</td>
</tr>
<tr>
<td>Unoccupied and furnished properties (including second homes)</td>
<td>100%</td>
<td>150%</td>
<td></td>
</tr>
</tbody>
</table>

#### 2. Legislation changes

**2.1 What has changed and implementation of the changes**

The secondary legislation was made on 26\textsuperscript{th} November 2012 and laid before parliament on 30\textsuperscript{th} November 2012. The Council is now required to incorporate its intentions as agreed at the September Executive cognisant of the revised legislation, seek approval from the Executive and, if approved, commend this to Council.

**2.2 Changes to dwelling classes**

The government has prescribed that:

There are now six property (dwelling) classes where no-one is resident (previously three), details are as follows:

A dwelling which:

- **Class A** is a purpose built holiday homes or chalets*
- **Class B** is unoccupied but furnished (includes second homes)
- **Class C** is unoccupied and substantially unfurnished
- **Class D** is an unoccupied and substantially unfurnished property undergoing, or having undergone, major repair work or structural alteration (12 months only)
- **Class E** would otherwise be the sole or main residence of a member of the armed forces, who is absent from the property as a result of such service.
- **Class F** forms part of a single property which is being treated by a resident of that property as part of the main building.

* There are some specific and complex rules about this class of property (around prohibition of occupation for part of the year for example some holiday homes, chalets and beach huts). Due to the nature of the rules and the property type there are none in Manchester and it is very unlikely that there will be in the future. They have therefore been excluded for the purposes of this report.
2.3 Abolition of exemption classes

Government have abolished the following exemption classes:

- Class A (major repairs and structural alterations <12 months); and
- Class C (empty and unfurnished < six months)

The exemption classes have been replaced with empty homes discounts for unoccupied and substantially unfurnished (class C dwellings) and unoccupied and unoccupied and substantially unfurnished homes undergoing, or having undergone, major repair work or structural alteration (twelve months only) (class D dwellings).

2.3.1 Unoccupied and substantially unfurnished (class C dwellings)

For unoccupied and substantially unfurnished (class C dwellings) the Council has complete discretion to set the level of discount for whatever period it chooses and it may vary the discount over time.

2.3.2 Major repair work or structural alteration (class D dwellings)

For unoccupied and substantially unfurnished homes undergoing, or having undergone, major repair work or structural alteration (class D dwellings) the Council can set whatever level of discount it chooses for a maximum of 12 months subject to the property meeting the criterion. Properties then revert to a class C dwelling.

2.4 Introduction of an Empty Homes Premium

Councils now have local discretion to set an empty homes premium of up to 150% of the Council Tax charge for class C dwellings that have been unoccupied for more than two years.

2.4.1 Empty Homes Premium future developments

Following the main consultation programme on the technical reforms of Council Tax, the outcome of which was published on 28 May 2012, the government then undertook a further late consultation programme seeking views of determining circumstances in which dwelling should not be liable for the Empty Homes Premium. This commenced on 28 September 2012 and ended on 9 November 2012.

This consultation sought views on possible exceptions to the premium and if these should be set out in legislation.

The areas that were consulted on included:

- A dwelling which is the sole or main residence of a member of the armed forces who is absent from the property as a result of such service
- An annex deemed unoccupied because it is being treated by the occupier of the main dwelling as part of that main building
- A dwelling which is genuinely on the market for sale or letting.
The explanatory memorandum states that there was broad support for the proposals relating to absent armed forces’ property and empty annexes.

As a result, government have now stipulated two new dwelling classes; absent armed forces’ property (class E) and empty annexes (class F) and have determined that these two new property classes should be exempt from the Empty Homes Premium.

However there were strong concerns about the proposal for exempting a property from the premium when it is genuinely on the market for sale or letting. Councils felt that this would prove difficult to administer.

In response to this, government has decided not to set this circumstance in regulations. However it has stated that is still considers that properties genuinely on the market for sale or letting should not be liable for the premium and will instead issue guidance to help local authorities reflect the state of the local housing market in their decision making process for administering the Premium.

Depending on the guidance that is issued and how the Council interprets this, it could result in a reduction in the amount collected by the Premium and adds a further risk to the income assumption as a result of these changes.

2.5 **Changes to discounts for unoccupied and furnished properties (includes second homes) (class B dwellings)**

Section 75 of the Local Government Finance Act 2003 prescribed changes and gave billing authorities the discretion to determine whether to apply a lower level of discount to certain dwellings.

Details are as follows:

Unoccupied Furnished Dwellings Class B previously received a standard discount of 50%.

From April 2003, the Council has had discretion to reduce the discount from anything between 50% and 10%, resulting in a bill of up to 90% for affected properties.

The Council did not take this up at the time and these properties continued to be charged at 50% of the Council Tax charge.

Within the 2012 Local Government Finance Act amendments, government have prescribed that local authorities can now further reduce this discount to zero, meaning that residents pay 100% Council Tax on unoccupied and furnished properties.

The Council’s intention is that the discount is withdrawn, resulting in charges of 100% of the Council Tax due for unoccupied and furnished properties (including second homes).
3. Existing powers

3.1 Unoccupied and unfurnished properties (class C dwellings)

Section 75 of the Local Government Finance Act 2003 prescribed changes and provided billing authorities with the discretion to determine whether to apply a lower level of discount for unoccupied and unfurnished properties.

Details are as follows:

Unoccupied Dwelling Class C previously received a standard discount of 50%. From April 2003 the Council has discretion to reduce the discount from 50% to zero, resulting in a bill of up to 100% of the Council Tax charge.

The Council did pilot using this discretion in East Manchester for a specified period from April 2004 to March 2006 but this was not continued. From this point the Council has charged Class C empty and unfurnished dwellings at 50% of the Council Tax liability.

The Council’s intention, as agreed at the 12 September Executive, is that the Council will now use its discretion and will provide a 100% discount for one month only and that further discounts should be withdrawn for all later periods for empty and unfurnished dwellings, resulting in charges of 100% of the Council Tax due.

3.2 Existing Powers – discretionary discounts

Section 75 of the Local Government Finance Act 2003 prescribed a new power, whereby a billing authority may reduce the liability of a council tax payer to such extent as it thinks fit. These powers are termed discretionary discounts.

The Council has not determined any discretionary discount scheme.

4. New proposal to grant a discretionary discount

4.1 Unoccupied dwellings left by armed forces personnel in the course of their duties

Within the 2012 legislation, effective April 2013, government created a new property, Class E. This relates to unoccupied dwellings (not owned by the Secretary of State for Defence) left empty by armed forces personnel in the course of their duties. Historically these properties would have been classed as an empty property and empty property charges would apply. Government have recently mandated that this type of dwelling should not be subject to the Empty Homes Premium.

Council has the power to exercise its discretion covered in section 3 and not apply any empty property charges in these circumstances.

Given that government have determined that this type of property should be exempt from any premium, along with the Council’s ongoing support of armed services personnel it seems appropriate to not charge any empty properties where a property
is the sole or main residence of armed service personnel and they have had to leave the property empty in the course of their duties. At this stage it is not known how many, if any, properties there are included in this class as they currently just form part of the empty property numbers and in many cases other family members would remain in occupation and properties are not left empty.

This new discretionary discount is therefore recommended as part of this report.

5. Conclusions

The changes to Council Tax legislation as laid allow for the Council’s proposed approach that was agreed at the Council’s 21 September Executive.

The practical implementation of the proposals in accordance with the new legislation and terminology is summarised in appendix three.

6. Recommendations

(i) The revised recommendations (below), following changes based on the new legislation and revised terminology, should now be agreed and commended to full Council:

Class B Dwellings – unoccupied furnished dwellings

The Council will not award any discount on these properties. The charge will therefore be set at 100% of the Council Tax that is due.

Class C Dwellings- unoccupied and unfurnished

The level of discount will be set at 100% for the first month that a property is empty. After this period the Council will award no further discount. The charge will therefore be set at 100% of the Council Tax that is due after a property has been empty for more than one month.

After an unoccupied and unfurnished property has been empty for more than two years the Council will introduce an Empty Homes Premium. This shall be set at 150% of the Council Tax charge due for the property.

Class D dwellings- properties undergoing major repair or structural alteration

The level of discount shall be set at 50% for a period up to twelve months where the property meets the criteria. After which the property will revert to a Class C charge.

(ii) The Council uses its local discretion to not apply empty property charges to dwellings that are unoccupied due to a member of the armed forces personnel being away in the course of their duties.

7. Key Policies and Considerations
7.1 (a) Equal Opportunities

The Council has undertaken a relevance assessment linked to the Equality Impact Assessment process. The assessment has considered in detail what impact the proposals could have on the protected characteristics: age, disability, gender reassignment, pregnancy, maternity, race, religion or belief, sex and sexual orientation. This relevance assessment is attached as appendix four.

7.2 (b) Risk Management

The £2 million assumed level of income from these changes should be treated with caution as numbers have been estimated based on current numbers of properties and both the charges due and the associated income that is collected will fluctuate in both the short and long term.

It is impossible to map the levels of contrivance and behaviour changes as a result of the proposals. Officers are therefore recommending that the Council is cautious in terms of yield and recovery rates. The nature of the schemes means that the descriptions and status of properties and households as they are currently charged will change as landlords and owners react to the changes to mitigate the financial impact.

Advice received from a neighbouring authority that introduced 90% charging for second homes using their local discretion, suggests that the majority of the second homes have now reverted to single occupied households attracting a CTax charge of 75%. Furthermore, there will also be collection challenges in that for empty properties, there can be absent or unknown owners, overseas owners and owners who may be on a low income who purchased a property as an investment and have then been unable to let, sell or modernise.

7.3 (c) Legal Considerations

The legal considerations are contained within the report.
Appendix One

Council Tax background information based on current position and legislation

1. Property classes where no-one is resident

A purpose built holiday homes and chalets
B Unoccupied but furnished (includes second homes)
C Unoccupied and substantially unfurnished

Class C properties would always qualify for an initial period of exemption, either:

A Major repairs and structural alterations 12 month exemption
C Long term empty and substantially unfurnished 6 month exemption

This would be followed by a class C discount of 50% of the charge due.

2. Property exemptions

<table>
<thead>
<tr>
<th>Exemption class</th>
<th>Description</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Major repairs/structural alterations</td>
<td>Up to 12 months</td>
</tr>
<tr>
<td>B</td>
<td>Unoccupied, owned by charity</td>
<td>Up to 6 months</td>
</tr>
<tr>
<td>C</td>
<td>Empty and unfurnished</td>
<td>Up to 6 months</td>
</tr>
<tr>
<td>D</td>
<td>Due to person being in prison</td>
<td>No time limit</td>
</tr>
<tr>
<td>E</td>
<td>Person gone to live in care home</td>
<td>No time limit</td>
</tr>
<tr>
<td>F</td>
<td>Council Tax payer deceased</td>
<td>6 months from date probate granted</td>
</tr>
<tr>
<td>G</td>
<td>Occupation prohibited by law</td>
<td>No time limit</td>
</tr>
<tr>
<td>H</td>
<td>Dwelling held for minister of religion</td>
<td>No time limit</td>
</tr>
<tr>
<td>I</td>
<td>Person living elsewhere to receive personal care</td>
<td>No time limit</td>
</tr>
<tr>
<td>J</td>
<td>Person living elsewhere to provide personal care</td>
<td>No time limit</td>
</tr>
<tr>
<td>K</td>
<td>Dwelling left empty by a student</td>
<td>No time limit</td>
</tr>
<tr>
<td>L</td>
<td>Mortgagee in possession (Repossessed property)</td>
<td>No time limit</td>
</tr>
<tr>
<td>M</td>
<td>Student hall of residence (occupied or unoccupied)</td>
<td>No time limit</td>
</tr>
<tr>
<td>N</td>
<td>Occupied only by students, or school or college leavers</td>
<td>No time limit</td>
</tr>
<tr>
<td>O</td>
<td>Armed forces barracks or married quarters (occupied or unoccupied)</td>
<td>No time limit</td>
</tr>
<tr>
<td>P</td>
<td>Visiting forces accommodation</td>
<td>No time limit</td>
</tr>
<tr>
<td>Q</td>
<td>Left empty by bankrupt person</td>
<td>No time limit</td>
</tr>
<tr>
<td>R</td>
<td>Caravan pitches or boat moorings not in use</td>
<td>No time limit</td>
</tr>
<tr>
<td>S</td>
<td>Dwellings occupied only by persons under 18</td>
<td>No time limit</td>
</tr>
<tr>
<td>T</td>
<td>Unoccupied annex to an occupied dwelling</td>
<td>No time limit</td>
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</tbody>
</table>
that cannot be let separately

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U</td>
<td>Occupied only by severely mentally impaired persons</td>
<td>No time limit</td>
</tr>
<tr>
<td>V</td>
<td>Diplomatic immunity or diplomatic privilege If diplomat would be liable person</td>
<td>No time limit</td>
</tr>
<tr>
<td>W</td>
<td>Occupied annex to an occupied dwelling that cannot be let separately</td>
<td>No time limit</td>
</tr>
</tbody>
</table>

3. **Disregarded persons**

- Persons in prison/detention
- Persons who are severely mentally impaired
- Persons who are over 18 but for whom Child Benefit is payable.
- Certain school or college leavers
- Full time students
- Student nurses
- Apprentices
- Youth training trainees
- Hospital patients
- Patients in care homes
- Care workers
- Residents of homeless or night shelters
- Members of visiting forces visiting forces and certain international institutions
- Members of religious communities.
- Non-British spouses of full time students

4. **Reductions for the disabled**

The regulations for Council Tax include provisions for a reduction in how much a person is charged when a property is occupied by a disabled person and contains certain features that help the disabled person manage their disability. These features must be of essential or of major importance to the well being of the disabled person. The number of adults residing at a property has no bearing on this reduction scheme and it is not age restricted.

For the reduction to be granted at least **one** of the following features must exist and be used for meeting the needs of the disabled person:

- A room which is not a bathroom, kitchen or a lavatory which is predominantly used by and is required for meeting the needs of the disabled person

- A bathroom or kitchen which is not the only bathroom or kitchen within the dwelling and which is used by and is required for meeting the needs of the disabled person or;

- Sufficient floor space for the use of a wheelchair required for meeting the needs of the disabled person (a wheelchair must be used within the property for this condition to be met).
If at least one of the conditions is met then the value of the reduction is the equivalent to moving the property down one valuation band. This does not change the valuation band that the Valuation Office has recorded for the property concerned. The reduction also applies to properties in Band A the lowest band. The value of the reduction for properties in Band A is one ninth of the Band D amount.
Appendix two

Council Tax background information based on April 2013 position and legislation

Please note there have only been changes to property dwelling classes and property exemptions.

There has been no change to disregarded persons or reductions for the disabled where properties have been adapted.

1. **Property classes where no-one is resident**

   - **Class A** Purpose built holiday homes and chalets*
   - **Class B** Unoccupied but furnished (includes second homes)
   - **Class C** Unoccupied and substantially unfurnished
   - **Class D** Unoccupied and substantially unfurnished homes undergoing, or having undergone, major repair work or structural alteration (twelve months only)
   - **Class E** Would otherwise be the sole or main residence of a member of the armed forces, who is absent from the property as a result of such service.
   - **Class F** Forms part of a single property which is being treated by a resident of that property as part of the main building.

2. **Property exemptions**

<table>
<thead>
<tr>
<th>Exemption class</th>
<th>Description</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Unoccupied, owned by charity</td>
<td>6 months</td>
</tr>
<tr>
<td>D</td>
<td>Due to person being in prison</td>
<td>No time limit</td>
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<td>U</td>
<td>Occupied only by severely mentally impaired persons</td>
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<td>V</td>
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</tr>
<tr>
<td></td>
<td>If diplomat would be liable person</td>
<td></td>
</tr>
<tr>
<td>W</td>
<td>Occupied annex to an occupied dwelling that cannot be let separately</td>
<td>No time limit</td>
</tr>
</tbody>
</table>
## Appendix three
Details of the Council’s proposals based on revised legislation, property classes and terminology

The Council’s approach to dwelling classes where no-one is resident including application of empty homes premium

<table>
<thead>
<tr>
<th>Class</th>
<th>Description</th>
<th>Up to one year</th>
<th>One to two years</th>
<th>More than two years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class B</td>
<td>Unoccupied and furnished (includes second homes)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>100% charge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium not applicable</td>
<td>100% charge continues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class C</td>
<td>Unoccupied and unfurnished</td>
<td>nil% charge</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>100% charge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium applies</td>
<td>150% charge__</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class D</td>
<td>Unoccupied and major repair work or structural alteration</td>
<td>50% charge</td>
<td>100% charge</td>
<td>Reverts to class C at this point</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For up to a year</td>
<td>Reverts to class C at this point</td>
<td></td>
</tr>
<tr>
<td>Premium applies</td>
<td>150% charge__</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class E</td>
<td>Property unoccupied- member of armed service duty</td>
<td>nil% charge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium not applicable</td>
<td>nil% charge continues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class F</td>
<td>Annex empty – treated as part of main building</td>
<td>100% charge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium not applicable</td>
<td>100% charge continues</td>
<td></td>
<td></td>
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</tbody>
</table>

For Class C and D the Empty Homes premium is due at the point when the property has been unoccupied for two years irrespective of the discounts within this period.
Appendix four

Relevance Assessment

<table>
<thead>
<tr>
<th>Directorate:</th>
<th>Corporate Services</th>
<th>Officer responsible for assessment:</th>
<th>Charles Metcalfe / Keiran Barnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service:</td>
<td>Revenues and Benefits Unit</td>
<td>Lead manager responsible for assessment:</td>
<td>Julie M Price</td>
</tr>
<tr>
<td>Function being assessed:</td>
<td>Options for Council Tax recovery on empty properties and second homes – 2013 / 14</td>
<td>Date of Relevance Assessment:</td>
<td>18 December 2012</td>
</tr>
<tr>
<td>Is this a proposed or existing function?</td>
<td>New</td>
<td>Date of Sign Off:</td>
<td></td>
</tr>
</tbody>
</table>

1. **Purpose of the Analysis**

1.1 The purpose of this relevance assessment is to analyse the information gathered on options for Council Tax recovery on empty properties and second homes in financial year 2013 / 14, to test them for potential relevance to equality. A relevance ranking of high, medium or low will be applied.

2. **About the Service**

As part of the Local Government Finance Bill, there are proposals for technical reforms to the Council Tax scheme which the Council can affect from financial year 2013 / 14. The main proposals include:

- Giving the Council the power to charge 100% Council Tax on second homes (the Council is currently charging 50%);
- Replacing exemption classes A (major or structural repairs, up to twelve months) and C (empty and substantially unfurnished, up to six months) with local discounts that the Council can set;
- Setting default Council Tax instalments over 12 months rather than the current 10 months;
- Giving the Council the power to charge an ‘empty homes premium’ of up to a further 50% of the Council Tax on top of the full Council Tax payable for properties that have been empty and unfurnished for more than two years.
The scope of these discretions and the Council’s proposed actions within them is briefly outlined below, but more information on the proposal is available at [http://www.manchester.gov.uk/egov_downloads/CouncilTaxChanges.pdf](http://www.manchester.gov.uk/egov_downloads/CouncilTaxChanges.pdf).

A ‘long-term empty property’ is one that is empty and unfurnished and has been empty for more than the six month Council Tax exemption period (Class C) or is having major repairs / structural alterations and has been empty more than the twelve month Council Tax exemption period (Class A). These properties then revert to the long term charge, currently 50% of the Council Tax due. This charge can remain in place indefinitely. The Council does not impose any further charge or financial sanction within the Council Tax charging regime to encourage landlords or owners to bring these properties back into occupation.

A 'second home' is a collective term for a furnished dwelling which is not the sole or main residence of any individual. There are 557 second homes in the city where the resident has their sole or main residence elsewhere. In addition, Initial estimates suggest that there could be as many as 5,000 properties in the city at any one time that are furnished and unoccupied. These are usually furnished properties empty between lets, or where a resident has moved and has left their belongings / furnishings in situ. These properties are collectively referred to, and classed as, second homes for billing purposes.

In 2004, Councils were given the power to: introduce local discretionary schemes where they could reduce the Council Tax for individual cases or for a defined class; reduce the discount on second homes from 50% to a minimum of 10%; reduce the discount on properties that had been empty and unfurnished for more than six months from 50% to a minimum of zero%. The Council decided not to amend the core scheme other than a pilot exercise in East Manchester between 2004 and 2007. Many councils, both locally and nationally have already taken advantage of this discretion and have already increased charges due for second homes and long term empty properties.

**Implementation and local consideration**

The change to charging for a second home is straightforward and given the number of second homes in the city (557 true second homes and 3,300 furnished properties that are not a sole or main residence) will bring in additional income. The proposed changes to class A and C empty properties affects 2,251 of the 3,446 exempt, unoccupied properties in the city. For class A and C, the charge will transfer from an exemption to a discount. For class A property discounts (structural repairs, 269 properties) only the percentage discount within the same descriptor and 12 month time period can be changed. For class C (empty and unfurnished, 1,982 properties) we expect increased discretion and recent advice from DCLG has advised that councils will be able to amend both the discount amounts and the periods within the six month time period.

**Funding and Proposals**

The proposals to increase charges on second homes and empty properties is non ring-fenced money and can be used by the Council to...
support local priorities. Government have also made reference to councils using the money to mitigate the reduction in funding for the new Council Tax Support scheme.

The Council proposes that the 50% discount on second homes is removed. Second homes will therefore be liable for 100% of the Council Tax. Based on current numbers of second homes listed this will result in an initial additional Council Tax liability of £2.006 million.

It is further proposed to award 50% discount on properties that meet the determined Class A criteria for major repairs for structural alterations. This is to recognise the investment into properties, supporting the provision of high quality housing stock in the city. There are currently 269 properties where this exemption has been granted.

The Council proposes that empty and unfurnished properties are given a full 100% discount on the Council Tax due for the first month and then no discount (zero%) for the remainder of the six month period if the property remains empty. The rationale for this is that this will encourage landlords and owners to re-let properties promptly. Although there will be an overall increase in Council Tax liability when this change is implemented it is impossible to accurately predict by how much. Assuming that 50% of the 1,982 properties qualifying for the discount are re-let within four weeks (and therefore attract no Council Tax liability), a conservative estimate of the increased Council Tax liability is £990,000.

It is proposed that the Council charges an empty homes premium amount of 150% of the Council Tax due for properties that have been empty and unfurnished for more than two years. The assumed levels of income are challenging to calculate, as how the market will react and how behaviours will change as a result of the increase charges is not known. An estimation of the potential increase in income is £1,300,000, but this should be tempered by the variables of the context within which it has been calculated.

The Council has discretion to reduce the discount for a long term empty property charge from 50% to zero%. It is proposed that the Council does not grant any discount for long term empty property charges, resulting in an increase of approximately £1,700,000.

The figures contained in this report should be treated with caution as numbers have been estimated based on current numbers of properties and both charges due, and the associated income that is collected, will fluctuate in both the short and long term.

3. Evidence and Engagement
City Treasurer’s ‘Localised Council Tax Support Scheme’ report to: Finance Scrutiny Committee – 19 July 2012; Executive – 25 July 2012
4. Relevance assessment findings

4.1 If your assessment *has identified a relevance to equality*, you will be required to undertake an equality analysis (EIA). Please complete the following tables.

4.2 This analysis has demonstrated relevance to equality with regard to:

Protected Characteristics – Please check relevant boxes

- Age □
- Disability □
- Race □
- Gender (includes gender reassignment, pregnancy and maternity) □
- Sexuality □
- Religion or Belief (or lack of) □
- Marriage or Civil Partnership □

Aims of the Equality Duty (*with relevance measures*) – Please check relevant boxes

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act (*i.e. the function removes or minimises disadvantages suffered by people due to their protected characteristics*) □

- Advance equality of opportunity between those who share a protected characteristic and those who do not (*i.e. the function takes steps to meet the needs of people from protected groups where these are different from the needs of other people*) □

- Foster good relations between people who share a protected characteristic and those who do not (*i.e. the function encourages people from protected groups to participate in public life or in other activities where their participation is disproportionately low*) □
4.3 If your assessment has **identified no relevance to equality**, please detail below your rationale and how the information that you have used supports this conclusion.

The proposals outlined above will have a financial impact on the persons owning premises that fall within the categories described. However, it is not possible to demonstrate that this impact bears any relevance to the Equality Duty, or that the persons affected are impacted to any disproportionate degree on the basis of having protected characteristics. The proposals pertain to the time-bound circumstances of residencies in the city, rather than its residents.

The potential to increase Council Tax recovery against these criteria provides partial mitigation to the localisation of Council Tax overall – increasing income here allows the Council more leeway to ‘soften the blow’ elsewhere in its revised scheme (i.e. in its revisions to the Council Tax Support scheme). However, whilst this does demonstrate that these proposals bear a relationship with other proposals regarding Manchester’s localised Council Tax scheme, they do not in themselves show a direct relationship with equality-relevant outcomes arising from the scheme as a whole.

This assessment therefore concludes that as the proposals to increase Council Tax recovery on empty properties and second homes in Manchester cannot be shown to affect people with protected characteristics or the Equality Duty, they are assessed as equality-neutral and a further Equality Impact Assessment is not required at this time.

5. Conclusions

5.1 **Relevance Ranking** – Please identify in this section the degree to which the function has been assessed as relevant to equality. This should be one of (please mark the applicable box):

<table>
<thead>
<tr>
<th>X</th>
<th>Ranking description</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td><strong>High</strong> – The function shows a high degree of relevance to one or more protected characteristic and / or one or more aim of the general equality duty</td>
</tr>
<tr>
<td></td>
<td><strong>Moderate</strong> – The function shows a moderate degree of relevance to one or more protected characteristic and / or one or more aim of the general equality duty</td>
</tr>
<tr>
<td>X</td>
<td>None – The function is not relevant to any protected characteristic and / or any aim of the general equality duty</td>
</tr>
</tbody>
</table>
5.2 **Further Analysis** - Please identify here whether your analysis demonstrates the need for further equality analysis (please mark the applicable box):

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>The relevance assessment has identified a <strong>high</strong> or <strong>medium</strong> relevance ranking and a Stage 2 Equality Analysis (Equality Impact Assessment) is required</td>
</tr>
<tr>
<td>X</td>
<td>The relevance assessment has identified a <strong>low</strong> relevance ranking, and in consideration of the evidence above, a Stage 2 Equality Analysis process is not required</td>
</tr>
</tbody>
</table>

6. **Director-level Sign Off**

<table>
<thead>
<tr>
<th>Name:</th>
<th>Richard Paver</th>
<th>Date:</th>
<th>21 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directorate:</td>
<td>Corporate Services, Corporate Core</td>
<td>Signature:</td>
<td></td>
</tr>
</tbody>
</table>

*NB: Sign-off must be in the form of an actual signature; not an emailed authorisation.*