

Council Tax Premiums on Long-Term Empty Property

Report of the Finance Portfolio Holder

Recommendation:

That with effect from 1 April 2020, the Council increases the Council Tax premium charged on long-term empty and substantially unfurnished properties in accordance with the amounts and effective dates shown in paragraph 3.1 of the report.

Recommendation to Council

SUMMARY:

- The Council has charged a 50% Council Tax premium to the owners of long-term empty and substantially unfurnished properties since 2013.
- New legislation has been passed that allows the Council to increase the premium charged. The changes are being introduced over two years (2020/21 and 2021/22) and target those properties that have been empty the longest.

1 Introduction

- 1.1 This report considers the options available to the Council for charging Council Tax Premiums on long-term empty and substantially unfurnished properties.
- 1.2 The report is presented following the introduction of new legislation (*Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018*) that increases the amounts that Councils can charge on these properties.

2 Background

- 2.1 Legislation was introduced in 2013 that allowed local authorities to charge a 50% Council Tax premium on properties that have been 'unoccupied and substantially unfurnished' for more than two years.
- 2.2 The purpose of the legislation was to provide an incentive to owners of empty properties to bring them back in to use.
- 2.3 Test Valley Borough Council introduced the 50% premium in 2013, with the income generated used to partly offset the reduction in government funding that was associated with the introduction of Council Tax Support.

2.4 This report explains the new powers and considers the impact of implementing them.

3 Changes to powers

3.1 The increases to the new premiums are being introduced in a phased manner over the next two years. The following table sets out the maximum premiums that can be charged in each year.

	Empty period	Maximum Premium
Financial year 2020/21	2 – 5 years Over 5 years	100% 200%
Financial years from 2021/22	2 – 5 years 5 – 10 years Over 10 years	100% 200% 300%

4 Corporate Objectives and Priorities

4.1 The Corporate Plan 2019 to 2023, “Growing Our Potential”, includes priorities to ensure our town centres are attractive, vibrant and prosperous places and to work with our communities to deliver the supply of homes which reflects current and future housing needs. The recommendations in this report will contribute by encouraging owners of empty homes to bring them back into use and therefore, will directly contribute to achieving the aims of the Corporate Plan.

4.2 The Council’s current Housing Strategy includes actions to encourage owners of long term empty homes to bring them back into use and the Council is in the process of reviewing its approach to dealing with problematic empty homes.

5 Consultations/Communications

5.1 The Council has consulted with the major Council Tax preceptors (Hampshire County Council, Police and Crime Commissioner for Hampshire and Hampshire Fire & Rescue Service) about the proposed changes. They have issued a combined response that supports the recommended option.

5.2 If the change to the policy is approved, the Council will write to the owners of properties currently attracting the premium, or with properties that may attract the premium in 2020/21. This will give information about the increase to the policy and signpost to advice for bringing the property back in to use.

6 Options

6.1 The premiums shown in paragraph 3.1 are the maximum that can be charged. The Council can set premiums at a level it chooses up to those amounts.

- 6.2 The options are therefore:
- Option 1 – To make no change to the existing empty homes premium
 - Option 2 (Recommended) – To implement the empty homes premium to the maximum amount allowed
 - Option 3 – To increase the premium, but not to the maximum amounts allowed.

7 Option Appraisal

- 7.1 The main purpose of the premium is to serve as a deterrent to property owners from keeping housing stock unoccupied. The strengths and weaknesses of each option are largely focused on their ability to achieve that objective.

Option 1 – Make no changes to the current scheme

- 7.2 Option 1 would retain the current policy arrangements.
- 7.3 44 properties are currently charged the premium. 14 of these have been empty for more than ten years and a further 14 have been empty for between five and ten years. This would suggest that, for these properties, the current incentive is not strong enough to bring the properties back into use and that a stronger incentive may be necessary.

Option 2 (Recommended) – Apply the maximum permitted increase to the premium

- 7.4 The advantage of this option is that it would apply the maximum financial incentive possible to encourage owners of empty properties to bring them back into use. As noted above, more than half of the properties that are charged the premium have been empty for longer than 5 years and would be liable to a higher premium.
- 7.5 Introducing the premiums would also align the Council Tax practice as closely as possible with the Housing & Environmental Health Service's approach to tackling long-term empty homes.
- 7.6 The potential disadvantage of this option is that the higher the premium that is charged, the more likely it is that property owners will seek to find ways to avoid paying the premium. For example, this could be done by furnishing or occupying the property.

Option 3 – Increase the premium by less than the maximum allowed

- 7.7 This is a hybrid of options 1 and 2 and could be set at any level.

8 Risk Management

- 8.1 An evaluation of the risks indicates that the existing controls in place mean that no significant risks have been identified at this time.

9 Resource Implications

- 9.1 As at 8 November 2019, there were 67 properties that were recorded as being empty and unfurnished for over two years.
- 9.2 The premium is being applied to 44 of those properties. The remaining 23 properties are exempted from the premium for reasons including; the building undergoing major repairs or structural improvements; or the owner has moved out to receive care.

Council Financial Implications

- 9.3 The following table shows an estimate of the amount the Council would generate in Council Tax premiums for long-term empty properties if the maximum premiums are applied. It assumes that the same 44 properties remain empty for the next two years and no other properties become liable to the premium. This also assumes no changes to the current Council Tax levels.

	2019/20 £'000	2020/21 £'000	2021/22 £'000
Total premium charged	35	119	149
TVBC share of Council Tax (10.74%)	4	13	16

- 9.4 The premium is applied to the overall Council Tax charge and therefore all other preceptors would also benefit from a change in the Council's policy. Increasing the premium from April 2020 is expected to generate additional Council Tax receipts of £84,000, of which £9,000 would be retained by the Council.
- 9.5 If the new powers were implemented, the additional income would originate in the Collection Fund through an increase to the overall tax base. The tax base is derived from a calculation that sets the expected number of chargeable Council Tax properties in the borough each year.

Council Taxpayer Implications

- 9.6 The following table shows an average Council Tax charge for each band of property in 2019/20. It also shows the amount after the 50% premium is applied and the potential charges if the maximum premium is introduced.

Band	2019/20 charge	Charge plus 50% premium	Charge plus 100% premium	Charge plus 200% premium	Charge plus 300% premium
A	1,125	1,688	2,250	3,375	4,500
B	1,312	1,968	2,624	3,936	5,248
C	1,500	2,250	3,000	4,500	6,000
D	1,687	2,531	3,374	5,061	6,748
E	2,063	3,095	4,126	6,189	8,252
F	2,438	3,657	4,876	7,314	9,752
G	2,813	4,220	5,626	8,439	11,252
H	3,375	5,063	6,750	10,125	13,500

- 9.7 The table shows that the impact of increasing the premium from the current 50% to the maximum of 300% would be £4,217 per annum (£6,748 - £2,531) for a band D property. This would only apply to properties that have been empty for longer than ten years and would not be chargeable until April 2021.
- 9.8 The impact on a band D property that has been empty for between two and five years would be £843 (£3,374 - £2,531).
- 9.9 A review of the properties currently being charged the premium shows that recovery rates are high with little in the way of arrears.

10 Legal Implications

- 10.1 The additional powers discussed in this report are pursuant to the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

11 Equality Issues

- 11.1 An equalities impact assessment has been carried out.
- 11.2 This has identified that there will be a negative financial impact on the owners of properties affected by the increase in Council Tax premiums. It is considered that the potential benefit of bringing disused houses back into use outweighs this negative impact.

12 Conclusion and reasons for recommendation

- 12.1 The report sets out the changes to legislation that enable the Council to increase the Council Tax premiums it charges the owners of properties that have been empty and unfurnished for more than two years.
- 12.2 The premiums act as an incentive to bring empty properties back into use, aligning with existing Council policies for housing and homelessness.
- 12.3 For this reason it is recommended that the premium charged on empty and unfurnished property is increased in accordance with the maximum amounts set out in paragraph 3.1.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	0	File Ref:	N/A
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(Portfolio: Finance) Councillor M Flood

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Report to:	Cabinet	Date:	18 December 2019
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