

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE (SPECIAL- BUDGET)</b>	<b>AGENDA ITEM: 9</b>
<b>DATE OF MEETING:</b>	<b>10 JANUARY 2019</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (COPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/revenues and benefits/council tax discounts and premiums/empty homes premiums Jan 19
<b>SUBJECT:</b>	<b>COUNCIL TAX PREMIUM ON LONG-TERM EMPTY PROPERTIES</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 12</b>

## **1.0 Recommendations**

- 1.1 That consideration is given to increasing the Council Tax Premium from 50% to 100% on properties empty for longer than 2 years but less than 5 years.
- 1.2 That if approved, the increased Premium of 100% is effective from 1 April 2019.
- 1.3 That consideration is given in principle to increasing the Council Tax Premium to 200% on properties empty for between 5 and 10 years from 1 April 2020.
- 1.4 That consideration is given in principle to increasing the Council Tax Premium to 300% on properties empty for over 10 years from 1 April 2021.
- 1.5 That subject to 1.3 and 1.4, increases to 100% and 200% in future years are considered ahead of the Budget Round for 2020/21 and 2021/22 respectively.

## **2.0 Purpose of Report**

- 2.1 To provide details regarding discretion given to local billing authorities that will allow the Council Tax Premium on long term empty properties to be increased. This discretion was introduced in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018. [Rating \(Property in Common Occupation\) and Council Tax \(Exempt Dwellings\) Act 2018](#)

## **3.0 Detail**

- 3.1 With the aim of bringing empty properties back into use, the Government introduced certain discretions, back in April 2013, for billing authorities to charge additional Council Tax on empty properties. The Council introduced these discretions locally and adopted the following Policy:

- A free period with no Council Tax payable of three months, after a property becomes empty, thereafter a full charge is made.
- An empty property premium of 50% on top of the full charge is levied after a property remains empty for two years or more.

3.2 A long-term empty property is defined as one which has stood unoccupied for longer than 2 years and is substantially unfurnished. Certain properties are excluded and these include:

- Properties where a person has been moved into residential care or hospital
- Properties where the occupant is away serving in the armed forces
- Properties that have been repossessed
- Properties classified as being derelict
- Properties that have been compulsory purchased awaiting demolition

3.3 Alongside this Premium, the Council also has a Discretionary Policy to reduce the Premium in exceptional cases, through a local discount. This applies where there are unavoidable circumstances that render a property impossible or extremely difficult to either let or sell and applies to:

- Properties within retirement schemes where covenants/restrictions on sales and lets apply.
- Unused accommodation within retail or commercial units that cannot be made available to let or sale for access or security reasons.
- Where the property owner has been actively engaged in attempting to sell the property over a period of time and can demonstrate this.
- Where a property is subject to significant structural repairs or renovation. These properties are exempt from Council Tax for a maximum of 2 years.

#### **Additional Discretion now being given to Local Authorities**

3.4 As part of the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, local authorities have been given discretion to increase the Empty Homes Premium further, as detailed in the following table.

Discretion	Implementation Date
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To increase the Premium on properties empty for over 2 years from 50% to 100%, i.e. <b>the Council Tax charge would effectively double</b> . This Premium would apply for properties remaining empty for up to 5 years.	1 <sup>st</sup> April 2019
Where a property remains empty after 5 years, the Premium can be increased to 200%, i.e. <b>the Council Tax charge would treble</b> . This Premium would apply for properties remaining empty for up to 10 years.	1 <sup>st</sup> April 2020
Where a property remains empty beyond 10 years, the Premium can be increased to 300%, i.e. <b>the Council Tax charge would quadruple</b> .	1 <sup>st</sup> April 2021

3.5 These increases have been termed “escalator charges”, i.e. the longer a property remains empty, the greater the charge. To allow property owners time to prepare for these charges, there is a transitional period and the higher Premiums (if approved) would not come into force until 2020 and 2021.

#### 4.0 Financial Implications

4.1 The Council currently has 104 empty properties that would meet the criteria for the additional Premiums as shown in the following table. These properties are currently paying the 50% Premium.

Period Empty	Number	Additional Council Tax
Between 2 and 5 years	61	£52,000
Between 5 and 10 years	23	£59,000
Over 10 years	20	£85,000
<b>Total</b>	<b>104</b>	<b>£196,000</b>

4.2 The above table provides an indicative analysis of the additional Council Tax raised based on the current number of empty properties. Approximately 11% of the additional Council Tax would be attributable to the Council, with the largest proportion flowing to the other Preceptors. Given, the transitional period, the additional income would not all be generated from 1<sup>st</sup> April 2019, if approved.

4.3 A reduction in the number of empty homes generates additional New Homes Bonus at the national average Band D Council Tax rate of £1,591 per property. 80% of this income flows directly to the District Council with 20% attributable to the County Council.

- 4.4 Therefore, if the Premium does have the effect of reducing the number of empty homes, then although the Council Tax would reduce by the amount of the Premium, the New Homes Bonus would increase at a greater rate per property for the Council.
- 4.5 The above estimates assume that the current Discretionary Policy as detailed in Section 3 remains in place.

## **5.0 Corporate Implications**

- 5.1 The adoption of the increased premiums would increase Council Tax receipts and contribute to the Corporate Plan's aim of "Maintaining Financial Health". If the Committee approves the adoption of the additional discretions, current owners of empty properties would be contacted and communicated with accordingly.

## **6.0 Community Impact**

- 6.1 The objective of Government Policy nationally is to bring forward the use of empty properties to increase the supply of housing across the Country. In South Derbyshire, there is no definitive evidence that since the Premium of 50% was introduced in 2013, this has significantly reduced the number of long-term empty properties.
- 6.2 In April 2013, long-term empty properties numbered approximately 100, the same number as that currently. However, the number of empty homes can vary over time for various reasons and whether the impact of the Premium is a determinant, is difficult to measure.
- 6.3 The number of long-term empty properties in the District is a small proportion (0.2%) compared to the total number of homes on the Council Tax Register of approximately 46,000. Whether the impact of the Escalator Charge would bring more homes into use remains to be seen.

## **7.0 Background Papers**

- 7.1 None