

**CABINET  
28 JANUARY 2020**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: COUNCIL TAX PREMIUMS & DISCOUNTS ON EMPTY PROPERTIES**

REPORT OF THE SERVICE DIRECTOR - CUSTOMERS

EXECUTIVE MEMBER: COUNCILLOR IAN ALBERT

COUNCIL PRIORITY: BUILD THRIVING & RESILIENT COMMUNITIES

**1. EXECUTIVE SUMMARY**

- 1.1 To consider whether to increase Council Tax Premiums payable and extend the discount period on empty properties

**2. RECOMMENDATIONS**

- 2.1. That in accordance with Section 11B of the Local Government Finance Act 1992 as amended by Section 2 of the Rating (Properties in Common Occupation) & Council Tax (Empty Dwellings) Act 2018, Cabinet indicates which of the approaches outlined within the report should be adopted. Either;
- 2.1.1 That from 1 April 2020 a 100% Premium is levied on properties empty for more than two years and a 200% Premium is levied on properties empty for more than five years and that from 1 April 2021 a 300% Premium is levied on properties empty for more than ten years or;
- 2.1.2 That from 1 April 2020 a 100% Premium is levied on all properties empty for more than two years or;
- 2.1.3 That no changes be made and the existing 50% Premium for all properties empty for more than two years is retained
- 2.2 That Cabinet agrees that under Section 11A of the Local Government Finance Act 1992, amended by Section 11 of the Local Government Finance Act 2012, the Council creates a locally defined Council Tax Discount of 100% for the first fifty-six days that a property is unoccupied and substantially unfurnished and does not fall into any Council Tax Exemption Class, and zero % for any period after fifty-six days.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. To support the principle of getting unoccupied properties back into occupation whilst also considering the implications of collection. Note that recommendation 2.1.2 is favoured by the Executive and Deputy Executive Members.
- 3.2 To provide more time to turn around empty properties and reduce the number of small value Council Tax bills produced.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

4.1. These are considered as part of this report.

#### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

5.1 The Executive & Deputy Executive Members for Finance & IT have been consulted on the proposals.

5.2 Customers who are currently directly affected by the considerations relating to Council Tax Premiums have been consulted and their views are discussed in the report and listed at Appendix 1.

5.3 The recommendation relating to the discount on empty properties has resulted from representations made by several landlords.

#### **6. FORWARD PLAN**

6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 6 December 2019.

#### **7. BACKGROUND**

7.1 In October 2011 the then Department for Communities and Local Government (DCLG) consulted on proposals for a number of technical changes to Council Tax, primarily aimed at giving more discretion to Billing Authorities on how they may treat empty properties in terms of Discounts that can be awarded. The Government's policy intention was to encourage owners to bring more empty homes back into occupation.

7.2 As a result of this consultation Sections 11A and 11B of the Local Government Finance Act 1992, were amended by the Local Government Finance Act 2012, giving billing authorities new powers to determine further discounts for prescribed dwellings and set higher amounts for long term empty properties.

7.3 At its meeting on 11 December 2012, Cabinet agreed the following changes:

- create a locally defined Council Tax Discount of zero % for unoccupied properties, which are uninhabitable due to undergoing structural repair. The intention of this was to encourage owners of properties requiring extensive works to complete these and bring the property back into occupation
- create a locally defined Council Tax Discount of 100% for the first twenty-eight days that a property is unoccupied and substantially unfurnished and does not fall into any Council Tax Exemption Class, and zero % for any period after twenty-eight days. Again the intention was to encourage owners to bring empty properties into occupation quickly, whilst acknowledging that there could be some void period between occupants
- continue to award a 10% Discount for Council Tax liability for second homes
- to increase the amount of Council Tax payable by 50% for properties that previously fell under Exemption Classes A & C and which have been unoccupied for more than two years. Similarly, the intention was to encourage owners of longer term empty properties to bring these into occupation

- 7.4 These changes were applied from 1 April 2013 and have remained unchanged since.
- 7.5 The legislation in 7.2 above gave Councils the power to charge a Council Tax premium of up to 50% on properties that have been empty for more than two years and as explained in 7.3, the Council exercised that power from 1 April 2013.

## **8. RELEVANT CONSIDERATIONS**

- 8.1. New legislation has now been introduced giving Councils powers to charge higher premiums for longer term empty properties as follows:
- From 1 April 2019 up to 100% for properties empty more than two years
  - From 1 April 2020 up to 200% for properties empty more than five years
  - From 1 April 2021 up to 300% for properties empty more than ten years
- 8.2 The policy intention is to give powers to Councils to encourage owners of long term empty properties to bring these back into occupation.
- 8.3 As explained at 7.3, the Council at the moment awards a 100% discount (i.e. no Council Tax is payable) for a period of twenty-eight days when a property becomes empty to allow time for changes in occupation. From the twenty-ninth day, 100% of the Council Tax becomes due.

### **Council Tax Premiums**

- 8.4 The Council currently charges an additional 50% in respect of properties that have been unoccupied for more than two years. The properties in question do change from time-to-time as some may go back into occupation and others exceed the two year period, therefore any comparisons can only be made from a snap shot in time.
- 8.5 Table 1 shows the number of properties empty for over two years when the Tax Base Return was submitted to the Ministry of Housing, Communities & Local Government (MHCLG) in October of each year since the measure was introduced.

**Table 1**

<b>Year</b>	<b>Number of Properties</b>
2013	70
2014	87
2015	92
2016	89
2017	99
2018	107
2019	109

- 8.6 The table shows that with the exception of one year (2016) the numbers have increased and there has been over a 50% increase in the number of properties empty over two years, between the change being introduced and the latest Council Tax Base Return. This would suggest that the policy intention of bringing these properties back into occupation is not being met.

- 8.7 The Council surveyed 103 owners of properties empty more than two years and has received responses relating to 21 properties. The responses can be summarised as follows:

**Table 2**

<b>Reason</b>	<b>Number</b>
Undergoing Renovation	10
Difficulty selling	4
Difficulty letting	1
Not meeting medical needs	1
Waiting planning permission	1
Potential regeneration	1
Waiting demolition	1
Possible Exemption to be applied	1
Now occupied	1

- 8.8 Whilst the response is only just over 20%, it does indicate that in the main there are good reasons why the properties remain empty and there are genuine efforts being made to get them back in occupation.
- 8.9 None of the responses would indicate intransigence towards moving to re-occupation.
- 8.10 The number of properties empty for more than two years will of course change frequently throughout a year as some properties become occupied and others reach the threshold. For the purposes of this report, a snap shot in time has been taken when the Council Tax Base Return to MHCLG was prepared. At that time, there were 109 properties empty more than two years as categorised in table 3 below.
- 8.11 Table 3 also shows the additional income that would be generated per annum based on the maximum level of premium that can be charged for each period of non-occupation. It should be noted that the 300% Premium for properties empty over ten years cannot be applied until 1 April 2021.

**Table 3**

<b>Empty Period</b>	<b>Number of Properties</b>	<b>Additional Income £,000</b>
2 – 5 years	70	89
5 – 10 years	25	76
Over 10 years	14	61
<b>Total</b>	<b>109</b>	<b>226</b>

- 8.12 Whilst the figure of an additional £226K seems attractive, it should be noted that the District Council's share of this is around 12.9% or £29K.

- 8.13 The existing premium of 50%, whilst not welcomed by those who have to pay it, has been generally accepted and of the 109 cases referred to above, only six are not paying regularly, although it has to be said that the arrears in these cases are quite large and difficult to collect. The Council is proposing to use charging orders to secure payment in the near future in these cases.
- 8.14 If the Council was to impose the additional premiums detailed at 8.1, it is likely to cause considerable collection difficulties in a number of instances. For example, one property, in Band G would see its Council Tax rise from £4,445.18 to £11,853.80 per annum. Whilst this is an extreme case, there would be 23 accounts that would have an increase in Council Tax of over £2,500 per annum on top of the expected annual increase. (equivalent to a Band F Council Tax).
- 8.15 Taking into consideration that a significant number of owners are renovating properties at their own expense to bring these back into occupation, it is likely to lengthen that process if the owner has to find substantial amounts of additional Council Tax each year, thereby defeating the intention of the policy change.
- 8.16 Members may wish to consider a compromise and charge a premium of 100% on all properties empty for more than two years. The financial implications in terms of additional revenue would be:

**Table 4**

<b>Empty Period</b>	<b>Number of Properties</b>	<b>Additional Income £,000</b>
2 – 5 years	70	89
5 – 10 years	25	25
Over 10 years	14	13
<b>Total</b>	<b>109</b>	<b>127</b>

- 8.17 The Council's share of the additional Council Tax raised would be £16K.
- 8.18 This option would show the Council's intention to support bringing empty properties back into occupation, whilst not imposing swingeing increases in Council Tax, which may prove difficult to collect and to justify to customers, many of whom will be making every effort to renovate these properties.
- 8.19 In the extreme example quoted in 8.16, the additional charge for the Band G property would be £1,481.73.

**Discounts on Empty Homes**

- 8.20 At its meeting on 12 December 2012, Cabinet decided to implement a discount from 1 April 2013 for empty properties of 100% for twenty-eight days. The full 100% charge would become due from the twenty-ninth day.
- 8.21 This does not apply to the majority of Registered Social Landlords such as settle and Howard Cottage as these are Registered Charities and different Council Tax legislation applies and allows Registered Charities an Exemption period of up to six months where no Council Tax is due on empty properties.

- 8.22 This twenty-eight day discount has however caused some difficulties for landlords in the private rented sector, in particular where the following may apply:
- Where properties are left in a poor state requiring extensive cleaning and repairs to make it habitable again
  - Where a tenant gives notice to terminate a lease and moves out before the end of the lease. For example, a tenant may give four weeks' notice and vacate after two weeks. In this case, the tenant would benefit from fourteen days of the discount period, leaving the landlord only fourteen days to turn the property around and re-let. The twenty-eight days applies only once for each unoccupied period.
- 8.23 In the full year 2018/2019, there were 128 properties that were empty for between 28 and 56 days with a further 373, which remained unoccupied for more than 56 days.
- 8.24 Extending the discount period to 56 days would have avoided the need to send out 128 bills for very small amounts of money, with an average bill of only £54.00. It would also have avoided the costs of recovery, which are often disproportionate for low value amounts.
- 8.25 The cost of extending the discount period to 56 days would have been £54K based on 2019/2020 Council Tax values.
- 8.26 Extending the discount period to 56 days would give landlords slightly more time to turn around their void properties and reduce the problem where tenants move out before the end of their tenancy.
- 8.27 The additional cost can be absorbed through the 1% non-collection allowance already built into the Council Tax Base.

## **9. LEGAL IMPLICATIONS**

- 9.1. Section 5.6.1 of the Council's Constitution states:

*To prepare and agree to implement policies and strategies other than those reserved to Council.*

- 9.2. Section 2 of the Rating (Properties in Common Occupation) & Council Tax (Empty Dwellings) Act 2018 amends Section 11B of the Local Government Finance Act 1992 with the provisions detailed in 8.1. This gives a Council the discretion to increase the Premiums payable on Empty Properties, if it so wishes.
- 9.3. The power to set the Discount period for Empty Properties was introduced by the Local Government Finance Act 2012, which amended Section 11A of the Local Government Finance Act 1992.
- 9.4. If any changes to the existing arrangements are agreed, these will need to be advertised in a local newspaper.

## **10. FINANCIAL IMPLICATIONS**

10.1 The financial implications of these proposals have been covered above, however in summary they are:

- Based on a snap shot in time, implementation of the maximum Premiums detailed at 8.1 could bring in additional revenue of approximately £226K, £29K of which would be available to this Council
- An across the board application of a 100% Premium for all properties empty for more than two years could bring in additional revenue of approximately £127K, £16K of which would be available to this Council
- Based on the data available for the full year 2018/2019 and applying Council Tax levels in 2019/2020, the cost of extending the empty homes discount period from 28 days to 56 days would be £54K, which could be absorbed within the 1% allowance for non-collection

## **11. RISK IMPLICATIONS**

11.1. With a few exceptions, the existing Premium of 50% is proving to be fairly easy to collect. Increasing the Premiums to the maximum allowable will result in some owners having significantly higher Council Tax bills. This is likely to cause resentment and could lead to difficulties in securing collection of the increased amounts.

11.2 This should be considered against the background that the survey carried out has indicated that most owners who replied are at least trying to bring their properties back into occupation and increased Council Tax burdens could in fact have an adverse effect on that policy intention.

## **12. EQUALITIES IMPLICATIONS**

12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2. Owners of long term empty properties come from a wide range of backgrounds and are not restricted to property owning landlords. In many instances, properties have been inherited in poor condition and the owners are making efforts to bring these up to an acceptable standard to bring them back into occupation with limited resources.

## **13. SOCIAL VALUE IMPLICATIONS**

13.1. The Social Value Act and “go local” requirements do not apply to this report.

## **14. HUMAN RESOURCE IMPLICATIONS**

14.1. There are no Human Resource implications in this report.

## **15. APPENDICES**

15.1. Appendix 1 – Summary of consultation responses

## **16. CONTACT OFFICERS**

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## **17. BACKGROUND PAPERS**

- 17.1. Rating (Properties in Common Occupation) & Council Tax (Empty Dwellings) Act 2018