

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE – SPECIAL BUDGET	AGENDA ITEM: 9
DATE OF MEETING:	7th JANUARY 2021	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (COPORATE RESOURCES)	OPEN
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SUBJECT:	COUNCIL TAX PREMIUM ON LONG-TERM EMPTY PROPERTIES	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 12

1.0 Recommendations

1.1 That consideration is given to increasing the Council Tax Premium to 300% on properties empty beyond 10 years from 1 April 2021.

2.0 Purpose of Report

2.1 To provide details regarding discretion given to local billing authorities that allows 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, local authorities have discretionary powers to charge additional Council Tax (a Premium) on empty properties. The Council has for several years used 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 lettings 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 given to Local Authorities

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

Discretion	Implementation Date
To increase the Premium on properties, empty for over 2 years from 50% to 100%, i.e. the Council Tax charge effectively doubles . This Premium applies for properties remaining empty for up to 5 years.	1 April 2019 <i>The Committee approved this discretion on 10 January 2019, and it was implemented on 1 April 2019</i>
Where a property remains empty after 5 years, the Premium can be increased to 200%, i.e. the Council Tax charge trebles . This Premium applies for properties remaining empty for up to 10 years.	1 April 2020 <i>The Committee approved this discretion on 9 January 2020, and it was implemented on 1 April 2020</i>
Where a property remains empty beyond 10 years, the Premium can be increased to 300%, i.e. the Council Tax charge would quadruple .	1 April 2021

- 3.5 These increases are known as “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, with final Premium coming into force from April 2021 (if approved).
- 3.6 As highlighted in the above table, the Committee approved the implementation of the first of these escalator charges in January 2019 and 2020, and approved in principle, to introduce the final premium in 2021, subject to an annual review.

4.0 **Financial Implications**

- 4.1 The Council currently has 91 empty properties that meet the criteria for the additional Premiums as shown in the following table.

Period Empty	Number of Properties (Oct 2018)	Number of Properties (Oct 2019)	Number of Properties (Oct 2020)	Additional Council Tax Generated from Additional Premium
Between 2 and 5 years (<i>premium being applied</i>)	61	26	61	£72,000
Between 5 and 10 years (<i>premium being applied</i>)	23	32	15	£44,000
Over 10 years (<i>still subject to the 200% premium</i>)	20	16	14	£43,000
Total	104	74	91	£159,000

- 4.2 The above table shows the additional Council Tax that is being raised on the current number of empty properties. Approximately 9% of additional Council Tax is attributable to the Council, with the largest proportion flowing to the other Preceptors.
- 4.3 Increasing the premium on properties empty beyond 10 years, would generate an additional £22,000 per year in Council Tax.
- 4.4 However, a reduction in the number of empty homes generates additional New Homes Bonus (NHB) at the national average Band D Council Tax rate (*which is currently £1,818 per property*). 80% of this income flows directly to the District Council with 20% attributable to the County Council.
- 4.5 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, this would partly be offset by an increase in NHB.
- 4.6 However, this assumes that the NHB or an equivalent, remains in place beyond 2021/22.

5.0 Corporate Implications

Employment Implications

5.1 None.

Legal Implications

5.2 None.

Corporate Plan Implications

5.3 None directly.

Risk Impact

5.4 None.

6.0 Community Impact

Consultation

6.1 If the Committee approves the additional discretion and increases the Premium on properties empty beyond 10 years, current owners of those properties would be contacted and communicated with accordingly.

Equality and Diversity Impact

6.2 None.

Social Value Impact

6.3 The aim of these discretions is to bring forward the use of empty properties to increase the supply of housing across the Country.

6.4 In April 2013, long-term empty properties in the District, which were subject to the 50% premium totalled 124. This has steadily fallen year-on-year since, with a more significant fall since April 2019 when the additional premiums were first applied.

6.5 However, the overall number has risen again over the last 12 months but only in the two to five years category.

6.6 There is evidence to suggest that the introduction of the additional premiums has incentivised property owners to act. In addition, the Council employs an Inspection and Visiting Officer to check the status of empty properties and this has also had some effect.

6.7 It should be noted that the number of long-term empty properties in the District (91) is a very small proportion (0.2%) compared to the total number of homes on the Council Tax Register of just under 47,000.

Environmental Sustainability

6.8 None.

7.0 **Background Papers**

7.1 None