

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE – SPECIAL BUDGET</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>9<sup>th</sup> JANUARY 2020</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE 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/council tax and precepts/council tax discounts and premiums/empty homes premiums Jan 20
<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 to 200% on properties empty for between 5 and 10 years from 1 April 2020.

## **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, in April 2013, the Government introduced discretionary powers for billing authorities to charge additional Council Tax on empty properties. At that time, 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 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.

<b>Discretion</b>	<b>Implementation Date</b>
To increase the Premium on properties empty for over 2 years from 50% to 100%, i.e. <b>the Council Tax charge effectively doubles</b> . 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. <b>the Council Tax charge would treble</b> . This Premium would apply for properties remaining empty for up to 10 years.	1 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 April 2021
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- 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 and the higher Premiums cannot come into force until 2020 and 2021.
- 3.6 As highlighted in the above table, the Committee approved the implementation of the first of these escalator charges in January 2019 and approved in principle, to introduce the additional premiums in 2020 and 2021 subject to an annual review.

#### **4.0 Financial Implications**

- 4.1 The Council currently has 74 empty properties that meet the criteria for the additional Premiums as shown in the following table.

<b>Period Empty</b>	<b>Number of Properties (Oct 2018)</b>	<b>Number of Properties (Oct 2019)</b>	<b>Additional Council Tax Generated from Additional Premium</b>
Between 2 and 5 years	61	26	£39,000
Between 5 and 10 years	23	32	£107,000
Over 10 years	20	16	£75,000
<b>Total</b>	<b>104</b>	<b>74</b>	<b>£221,000</b>

- 4.2 The properties empty between 2 and 5 years are currently subject to the 100% premium.
- 4.3 The empty properties over 5 years are currently paying the 50% Premium under the 2013 legislation. If approval is given to increase the Premium for empty properties between 5 and 10 years, they would be subject to the additional 200%.
- 4.4 The above table also shows the additional Council Tax that can be raised based on the current number of empty properties. Approximately 9% of additional Council Tax would be attributable to the Council, with the largest proportion flowing to the other Preceptors.

- 4.5 In addition, a reduction in the number of empty homes generates additional New Homes Bonus at the national average Band D Council Tax rate (*which is currently £1,750 per property*). 80% of this income flows directly to the District Council with 20% attributable to the County Council.
- 4.6 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.

## **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 discretions, current owners of empty 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 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 Premium was doubled following the implementation of the recent discretion.
- 6.5 There is evidence to suggest that the introduction of the Premium has incentivised property owners to take action. In addition, the Council employs

an Inspection and Visiting Officer to check the status of empty properties and this has also had some effect.

- 6.6 It should be noted that 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 over 45,000.

### **Environmental Sustainability**

- 6.7 None.

## **7.0 Background Papers**

- 7.1 None