

**COUNCIL MEETING – 21ST FEBRUARY 2019**

**AGENDA ITEM NO. 6 (4)**

**COUNCIL TAX EMPTY PROPERTY PREMIUM CHARGE – 2019/20 AND  
COUNCIL TAX DISCOUNT – PROPERTIES UNDERGOING MAJOR REPAIR  
OR STRUCTURAL ALTERATION**

A report from the meeting of the Cabinet held on 5th February 2019.

**1. INTRODUCTION**

- 1.1 The Council has power to vary the level of certain council tax discounts, and to introduce local discounts as well as imposing an Empty Homes Premium for properties, which have been empty for a period in excess of two years. This report details proposed changes to the premium charge from 1 April 2019.
- 1.2 Recent legislation now allows the council to charge a higher premium for long-term empty properties, which can increase further depending on how long a property has been empty.

**2. BACKGROUND**

- 2.1 The Local Government Finance Act 2012 introduced some amendments to the Local Government Finance Act 1992, giving discretionary powers for councils to set the level of Council Tax discount on empty properties.
- 2.2 As a result of this flexibility, the council currently award the discounts outlined in paragraphs 2.3 and 2.4 for properties which are unoccupied and unfurnished and properties that are unoccupied and unfurnished but undergoing major repair work or structural alteration.
- 2.3 Unoccupied and unfurnished properties are awarded a 100% discount for the first two months, followed by the full 100% liability once the two months have expired.
- 2.4 Properties, which are unoccupied and unfurnished and undergoing major repair work or structural alteration, are awarded a 50% discount for 6 months, followed by the full 100% liability once the 6 months have expired.
- 2.5 If these two categories of properties have been unoccupied and unfurnished for 2 years or longer, they are charged a premium charge of 50% on top of the 100% liability, meaning 150% of the Council Tax becomes payable. The premium charge of 50% was agreed at full Council on 23<sup>rd</sup> January 2013 and came into effect on 1 April 2013.

### **3. COUNCIL TAX (EMPTY DWELLINGS) ACT 2018**

3.1 The Council Tax (Empty Dwellings) Act 2018 provides for the Council Tax Premium to be increased from 1 April 2019 as follows:-

- From 1<sup>st</sup> April 2019 – 100% premium (200% Council Tax Liability, for properties which have been empty for 2 years or more).
- From 1<sup>st</sup> April 2020 – 200% premium (300% Council Tax Liability, for properties which have been empty for 5 years or more).
- From 1<sup>st</sup> April 2021 – 300% premium (400% Council Tax Liability, for properties which have been empty for 10 years or more).

3.2 Approval is being sought to increase the premium charge in line with the incremental changes outlined in paragraph 3.1.

3.2 The premium charge does not apply to any empty property qualifying for an exemption, for example whilst waiting for probate to be granted or where the owner is now in a care home.

3.3 Guidance provided by the former Department of Communities and Local Government (DCLG) in May 2013, has prescribed two further classes of properties, which are exempt from the premium charge. These are:-

- Military personnel who are absent from a property due to serving elsewhere; and
- An annexe

3.4 The Government also expects billing authorities to consider the reasons why the properties are unoccupied and unfurnished, including whether they are available for sale or rent, and decide whether they want such properties to be included in their determination.

3.5 As a result of this guidance, a policy has been created to detail the level of Council Tax charged for an empty dwelling and in what circumstances a premium charge can be waived. See appendix 1.

3.6 To summarise, the policy contains the following:-

- The empty properties, which are exempt from Council Tax and where the council cannot make any amendments to the amount payable.
- The discounts empty properties are entitled to where the Council can make variations to the amount payable.
- Instances where the council is not entitled to impose a premium charge.
- Discretionary powers to waive the premium charge

- How to request a waiver from the premium charge.

Any decision to waive the premium charge and to resolve disputes shall be delegated to the Executive Head of Finance in consultation with the Corporate and Democratic Services Portfolio Holder, in line with the recommendations by the former DCLG and outlined in the Council's Council Tax Empty Homes Policy.

- 3.7 Full details of this guidance can be found at the following web link: <https://www.gov.uk/government/publications/council-tax-empty-homes-premium>

### **Reasons for Recommendations**

- 3.8 The intention of the change is to encourage owners of long-term empty properties to bring them back into use. This also meets the council's aims and those of the Council's corporate empty homes group.
- 3.9 Empty properties as well as serving no useful purpose often attract a disproportionate amount of public resources. Sometimes becoming an environmental nuisance or the target for anti-social behaviour and neighbour complaints.
- 3.10 There is a shortage of homes both locally and nationally. Through charging the maximum permitted by the legislation, it is hoped that owners of empty properties are going to be more likely to bring their empty properties back into use more quickly than under the current charges, therefore providing more housing locally.
- 3.11 Any of the additional income received can be used for services within Rushmoor.
- 3.12 The Corporate Empty Homes Group welcomes the increase to the premium charge, which it hopes will have a positive impact to support bringing empty properties back into use.

## **4 ALTERNATIVE OPTIONS**

- 4.1 The council could choose to leave the level of Premium Charge at 50% or even remove the premium charge altogether.
- 4.2 However, by removing the premium charge or leaving it at the current rate, it could have a detrimental impact on bringing long-term empty properties back into use if the financial incentive is lost.

## **5 CONSULTATION**

- 5.1 A public consultation is not required before making any changes to the long-term empty home premium charge.

## 6. IMPLICATIONS

### Legal Implications

- 6.1 The legal provision to charge Council Tax on empty properties is contained within the Local Government Finance Act 1992 and Local Government Finance Act 2012 and their association regulations.
- 6.2 The Council Tax (Empty Dwellings) Act 2018 provides for an increase to the Council Tax Premium charge as outlined in paragraph 3.1.
- 6.3 There is no legal requirement to consult with residents regarding the increase to the premium charge; however, there is a legal requirement for the Council to publish a decision to begin using these powers, in a local newspaper within 21 days of the decision.

### Financial and Resource Implications

- 6.4 Table 1 shows the number of properties affected and the additional income raised since the premium charge was applied in April 2013. Table 2 show what the additional income raised would have been if the premium charge was a 100%. These tables also demonstrate the number of accounts that are in arrears and the value of these arrears.
- 6.5 Table 1 shows that the council would have raised an additional £251k, of which, £32k would be retained by the Council..
- 6.6 Table 2 shows that if the premium charge was set at 100%, then the additional income raised would have been £502k, of which, 64k would be retained by the council.
- 6.7 These tables also reflect that on average, 126 properties have been charged the premium charge year on year from April 2013 and only 4 accounts, remain in arrears.

**Table 1**

<b>Year</b>	<b>Number of Accounts</b>	<b>Value of Premium Charge (£)</b>	<b>Amount Retained by RBC (£)</b>	<b>Number of Accounts in Arrears</b>	<b>Value of Arrears (£)</b>
<b>2013</b>	131	50,637	6,482	2	2,105
<b>2014</b>	138	53,587	6,859	4	5,078
<b>2015</b>	80	35,980	4,605	4	4,589
<b>2016</b>	117	47,903	6,132	5	5,426
<b>2017</b>	165	63,389	8,114	5	6,212
<b>Total</b>	<b>631</b>	<b>251,497</b>	<b>32,192</b>	<b>20</b>	<b>23,409</b>
<b>Average</b>	<b>126</b>	<b>50,229.34</b>	<b>6,438.32</b>	<b>4</b>	<b>4,682</b>

**Table 2**

<b>Year</b>	<b>Number of Accounts</b>	<b>Value of Premium Charge (£)</b>	<b>Amount Retained by RBC (£)</b>	<b>Number of Accounts in Arrears</b>	<b>Value of Arrears (£)</b>
<b>2013</b>	<b>131</b>	<b>101,274.94</b>	<b>12,963.19</b>	<b>2</b>	<b>4,209</b>
<b>2014</b>	<b>138</b>	<b>107,174.22</b>	<b>13,718.30</b>	<b>4</b>	<b>10,156</b>
<b>2015</b>	<b>80</b>	<b>71,959.50</b>	<b>9,210.82</b>	<b>4</b>	<b>9,177</b>
<b>2016</b>	<b>117</b>	<b>95806.04</b>	<b>12,263.17</b>	<b>5</b>	<b>10,852</b>
<b>2017</b>	<b>165</b>	<b>126,778.68</b>	<b>16,227.67</b>	<b>5</b>	<b>12,424</b>
<b>Total</b>	<b>631</b>	<b>502,993.38</b>	<b>64,383.15</b>	<b>20</b>	<b>46,819</b>
<b>Average</b>	<b>126</b>	<b>100,598.68</b>	<b>12,876.63</b>	<b>4</b>	<b>9,363.75</b>

6.8 These tables also indicate that the number of long-term empty properties has not reduced since the introduction of the premium charge.

6.9 It is hoped that by increasing the amount of the premium charge to the maximum amount possible, this will encourage owners of properties to bring these properties back into use due to the significant financial implications.

6.10 It is important to note that at present, there are currently 109 domestic properties attracting the premium charge. However, 57 of these form part of the North Town Regeneration site and are due to be demolished before 31 March 2019. Therefore, this will affect the income received from the properties subject to the premium charge. This leaves 52 properties still subject to the premium charge.

6.11 Of the 52 remaining properties, these have been empty for the following number of years:-

- 2-5 years = 24 properties
- 5-10 years = 15 properties
- Over 10 years = 13 properties

6.12 The property that has been empty for the longest is being recorded on Council Tax records as having been empty for 26 years. However, this is as far back as our Council Tax Records go back so it is possible that this property has been empty for longer.

6.13 Of the 13 properties that have been empty in excess of 10 years; this is broken down by the number of years.

- 10 years = 1 property
- 11 years = 2 properties
- 12 years = 1 property

- 13 years = 1 property
- 14 years = 5 properties
- 17 years = 1 property
- 22 years = 1 property
- 24 years = 1 property
- 26 years = 1 property

## **7 RISKS**

- 7.1 The implementation of the 50% premium charge in 2013/14 prompted a number of complaints from affected taxpayers. It is likely that any increase in the premium charge to 100% will have the same affect.
- 7.2 However, the number of complaints received is likely to be negligible against the potential number of properties that could be brought back into use. As outlined in paragraph 8.1, less than one percent of the properties in Rushmoor will be affected by this change.
- 7.3 The income generated from the increased premium charge may be less than that estimated in the report. The intention of the premium is to bring long-term empty properties back into use, so if the policy change is successful it will result in fewer properties paying the premium charge. However, it is not the additional income that is the driver for this change.

## **8 IMPACT ON RESIDENTS**

- 8.1 The number of properties affected by the proposed change to the premium charge would be an average of 52 per annum (after removing those properties owned by Vivid Housing). This is against 40,353 properties in the borough. This would therefore, only affect a very small number of residents in the borough, approximately 0.2%.
- 8.2 However, all residents in the borough would benefit from these changes because:-
- Trying to discourage empty homes to free up housing
  - Empty properties as well as serving no useful housing purpose often attract a disproportionate amount of public resources. Sometimes becoming an environmental nuisance or the target for anti-social behaviour and neighbour complaints.
- 8.3 If the Council approves the recommendation the Revenues Ream will contact all Council Tax Payers likely to be affected by the revised empty homes premium from April 2019 to advise them of the change.
- 8.4 The Revenues and Benefits Service have devised a policy allowing them to waive the premium charge in certain circumstances.

## **9 COUNCIL TAX DISCOUNT – PROPERTIES UNDERGOING MAJOR REPAIR WORK**

- 9.1 Under the Local Government Finance Act 1992, as amended, properties that are undergoing major refurbishment or structural alteration were exempt payment of Council Tax for twelve months, 100% of the Council Tax became payable thereafter.
- 9.2 The Local Government Finance Act 2012 amended this legislation and as a result, this exemption was abolished and gave discretionary powers for councils to set their own level of Council Tax discount on these properties.
- 9.3 On 23 January 2013, the Council determined that properties undergoing major repair work or structural alteration, would receive a discount of 50% for 12 months and then 100% Council Tax becomes payable, effective from 1 April 2013
- 9.4 On 30 January 2018, following the advice from the Revenues and Benefits Service, the Council determined to reduce the discount further so that 50% would be awarded for 6 months and then 100% Council Tax becomes payable, effective from 1 April 2018.
- 9.5 However, since the length of discount was reduced to 6 months, it has come to light, that it is, and remains, Governments intention that although local authorities are able to vary the percentage reduction awarded for these properties, or remove the discount altogether, local authorities are unable to vary the period of time that this discount is awarded for.
- 9.6 The number of discounts awarded under this new discount is low affecting 21 customers to a total value discount amounting to £4k.
- 9.7 If the Council approves the recommendation to move the discount back to 50% for 12 months, the Revenues team will contact all Council Tax Payers affected by this discount and award them their revised entitlement.
- 9.8 All future discounts will then be awarded at 50% for 12 months and this discount will be reviewed during the financial year 1 April 2019 – 31 March 2020.

## **10 RECOMMENDATIONS**

- 10.1 The Council is recommended to approve:
- (i) an increase to the amount of Council Tax Empty Homes Premium charged for long-term empty properties as set out in paragraph 3.1 of this report; and
  - (ii) the application of a Council Tax discount of 50% for 12 months in respect of empty homes undergoing major repairs or structural alterations as set out in the report.

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