

Taunton Deane Borough Council

Executive – 14 November 2012

Council Tax Charges - Empty Properties and Second Homes

Report of the Corporate & Client Lead

(This matter is the responsibility of Executive Councillor Stock-Williams)

1. Executive Summary

The Government propose to allow Council's to amend (within limits) the Council Tax charges which will apply from 1 April 2013 in respect of;

- second homes,
- homes undergoing, or requiring, structural work,
- properties empty for 6 months or less,
- properties that have been empty for more than two years.

This report sets out recommendations for how Taunton Deane might use these freedoms to encourage empty properties to be brought back into effective use.

These recommendations within this report also generate additional Council Tax income. TDBC's share is estimated to be in the region of £24k pa, based upon 2011/12 trends.

2. Background

- 2.1 The Government propose to give new powers to Councils to change the Council Tax reductions for empty properties in their areas if they wish to do so.
- 2.2 The changes will be made through the Local Government Finance Bill 2012, currently receiving further line by line examination in the Lords, following the commencement of the report stage on Wednesday 10 October.
- 2.3 Decreasing the reductions will increase the Tax collectable for both this Council and the precepting authorities. It can also act as a stimulus for bringing empty properties back into occupation.
- 2.4 These changes will apply from 1 April 2013 and relate solely to Council Tax on second homes, homes undergoing structural works and empty properties.

- 2.5 Other Council Tax exemptions, which apply to unoccupied properties (as set out in Appendix A), will remain unaltered.
- 2.6 The recommendations within this report have been developed in consultation with our partner authorities within the Somerset West Private Sector Housing Partnership. The proposals developed support the aims of the partnership in bringing empty properties back into use as soon as possible and to provide a consistent approach to charging across the partnership area.
- 2.7 **The proposals and recommendations within this report were considered by Corporate Scrutiny on 25th October 2012. No changes were requested. The committee unanimously supported the recommendations made.**

3. Changes

3.1

**Class A' exemption –
(Properties undergoing or requiring major repair works or structural alterations)**

Now: – properties which are unoccupied and unfurnished that require, or are undergoing, major repair works or structural alterations to render them habitable are exempt for up to 12 months, or as long as it continues to be undergoing, or in need of, major repair.

It is worth noting that it is not uncommon for owners to receive 12 months Class A exemption and then be entitled to a Class C exemption (see 3.3 below) for a further 6 months.

During 2011/12 we awarded **£106k** in Class A exemptions in respect of **204** properties.

Change: – the Government will abolish the Class A *exemption*. Instead, billing authorities will be given the discretion to award a *discount* of between 0% and 100% for up to 12 months.

Recommendation: – It is proposed that the current Class A exemption be replicated in full from 1 April 2013 in the form of a 100% discount.

Rationale: It is felt important that the Council should promote property development, particularly supporting major upgrading and improvements to poor quality housing stock.

If we changed the level of reduction we would be introducing Council Tax charges for a landlord, homeowner or developer therefore introducing extra overheads; money which might more effectively be used on improving the property.

Additionally, due to the limited value of the present exemption, there is limited scope for income generation for the Council from changing the status quo as if we awarded

nothing (which would be unreasonable), our share of the additional income, based on 2011/12 figures, would be in the region of just £10k .

3.2

Long term empty properties - (Unoccupied and unfurnished properties, empty for 6 months or more)

Now: –This Council allows the minimum statutory discount (10%) for properties which have been continuously unoccupied and unfurnished for 6 months or more.

During 2011/12 we awarded **£5.4k** discount in respect of **117** long term empty properties where the property was empty between 6 and 24 months. We had **33** properties which were empty for more than 2 years, the discount award for which was **£1.6k**.

Change: – billing authorities will be given the discretion to charge up to 100% Council Tax once a property has been unoccupied and unfurnished for 6 months.

Once a property has been continuously unoccupied and unfurnished for two years or more Councils will be able to charge a premium of up to 50%, meaning that such properties would incur a charge of up to 150%.

Recommendation: – to increase the charge to 100% for properties which have been unoccupied and unfurnished for 6 months or more. To charge the maximum permitted premium (50%) once a property has been empty and unoccupied for more than 2 years.

Rationale: It is proposed that the Council take advantage of these new flexibilities in order to encourage the owners of properties, which have been left unoccupied for more than 6 months, to bring the property back into use as a home for themselves or others.

Based upon 2011/12 figures the increase in charge to from 90% to 100% for properties empty between 6 and 24 months would have raised approx £5.4k extra income of which TDBC's share would have been just **£0.5k**.

During 2011/12 there were 33 properties which would have qualified for the empty homes premium (it should be noted that whilst these properties had been empty for more than 24 months many would not have remained empty throughout the whole of 2011/12). The extra Council Tax this would have raised would be approximately £8k, of which TDBC's share would be just **£0.8k**.

3.3

Class 'C' Exemption (Unoccupied and unfurnished properties, empty for less than 6 months)

Now: –properties which are unoccupied and unfurnished for up to 6 months are awarded a 100% exemption throughout the period.

Class C exemption is mainly granted for the following three reasons:

- Property is being sold and the owner has moved out;
- Property has been purchased and the owner has not yet moved in;
- The property is empty between tenancies.

The impact of the abolition of (or reduction to) this entitlement could have the most impact on landlords. However housing associations can be protected as, if not already doing so, they can claim under the Class B exemption which is unchanged by the Government's proposals (see Appendix A).

During 2011/12 we awarded **£897k** class C exemptions in respect of **5,377** short term empty properties (please note that some of these exemption awards might have been awarded for the same property but for distinct periods within 2011/12, most typically between tenants).

Change: the Government will abolish the *exemption*. Instead billing authorities will be given the discretion to award a *discount* between 0% and 100% for all, or part, of this 6 month period

Recommendation: to award a 100% discount for a period of 3 months from when the property first becomes unoccupied and unfurnished.

Rationale: Many of the properties in respect of where a Class C exemption was awarded were re-occupied within 3 months.

It is recognised that landlords in particular will have periods in between tenancies where the property cannot be let due to refurbishment needing to be carried out for example or through delays in finding prospective tenants or in signing tenancy papers etc.

It is felt that it would be unreasonable to make a Council Tax charge immediately a property becomes empty. This would result in numerous bills being issued for very small sums (often representing just a few days charge) and the collection challenges this creates. This could also be a significant additional burden for landlords that would potentially be passed directly onto tenants in the form of higher average rents.

Making a charge quickly after a property first becomes empty would also impact significantly on the HRA which would experience the greatest aggregated impact, simply due to the high volumes of properties which the Council manages and the inability of the Council to be able to mitigate this extra charge through a class B exemption (which IS available to housing associations).

There will also be occasions where properties are deliberately left unoccupied for short periods to allow landlords to maintain, repair and improve their properties. We would not wish to be seen to be penalising landlords or providing a disincentive for such improvements to be carried out.

In looking at a reasonable treatment of empty domestic properties we have taken guidance from the arrangements which are in place for business properties. Generally, (subject to one or two exceptions), no charge is made for the first 3 months that a

property is empty. Thereafter a 100% charge is made. It is felt that there is merit in treating the two types of property in the same way.

Members are asked to note that Exemption F (Appendix A) will not change under the Government's proposals so in the situation that the householder dies, and the property becomes unoccupied, no Council Tax would be liable until probate is granted.

It has not been possible to obtain exact figures, but based upon 2011/12 figures it is estimated this change could generate at least £180k additional income, of which TDBC's share would be **£18k**.

3.4

Second Homes

(Properties which are furnished but in which no person has their sole or main residence).

Now: - The Council already allows the minimum statutory exemption (10%) for second homes.

In 2011/12 this affected **511** properties in Taunton Deane and cost **£49.66k**.

Change: billing authorities will be given the discretion to charge up to 100% Council Tax on second homes.

Recommendation: to charge 100% Council Tax on second homes.

Rationale: At a time when the Council has to consider introducing cuts in the level of Council Tax support for some of the lowest income households in the borough and when there is a general shortage of property available to rent or buy it seems incongruous to continue to provide a discount to owners of second homes.

Based upon 2011/12 figures this change could generate £49k additional income, of which TDBC's share would be **£4.9k**.

4. Summary of Proposals

4.1 For unoccupied unfurnished properties the proposals would mean:

0-3 months	0% charge	(as now)
3-6 months	100% charge	(instead of 0%)
6mths - 2 years	100% charge	(instead of 90%)
2 years+	150% charge	(instead of 90%)

4.2 For unoccupied furnished properties ~ '*second homes*'

Day 1 onwards 100% charge (instead of 90%)

5. Consultation

- 5.1 These proposals have been discussed with our partners within the Somerset West Private Sector Housing Partnership. There is no statutory requirement to consult the public on these changes. The final decision will be subject to Full Council decision in December.

6. Evaluation of Options

- 6.1 The Council could choose not to take advantage of the new flexibilities in relation to second homes discounts and short and long term empty properties but this would not be in keeping with our overall strategic housing objectives and would not raise additional income.

7. Finance Comments

- 7.1 Members are reminded that for all Council Tax collected, TDBC retains about 10%, Avon and Somerset Police Authority about 12%, Somerset County Council about 73% and Devon Fire and Rescue Authority 5%.

Therefore if Members decide to take advantage of these new flexibilities and reduce the levels of discounts currently available for the above there will be financial advantages for our public sector partners too.

- 7.2 A by-product of these proposals may be an increase in New Homes Bonus if these proposals support a reduction in the number of long term empty (6 months +) properties within the borough.
- 7.3 It should be noted that potential additional Council Tax income, brought about by these proposals, may diminish over time as the increased charges encourage changes in behaviour, such as bringing homes back into use more quickly.

8. Legal Comments

- 8.1 Any of the changes which the Council have been given power to make will be required to be approved by the full Council and may not be delegated to a committee or officer.

9. Links to Corporate Aims

- 9.1 Affordable Housing - The approach taken to Council Tax discounts and exemptions has an impact on the effective use of properties within the Borough. The relative shortage of properties available for rent is a factor in the current rise in rental costs. It is hoped that these proposals may increase the supply of properties available for rent within the Borough.

10. Environmental Implications

- 10.1 Empty properties can fall into disrepair and become eyesores within the neighbourhood. It is hoped these proposals will play a part in alleviating this problem.

11. Community Safety Implications

- 11.1 Empty properties can blight communities and be a magnet for anti-social / criminal behaviour such as vandalism and drug misuse. It is hoped that these proposals will help to reduce the number of empty properties, or at least reduce the time that properties remain empty.

12. Equalities Impact

- 12.1 A draft Equalities Impact Assessment has been undertaken and no specific impacts have been identified.

13. Risk Management

- 13.1 There is a financial opportunity risk if we do not take advantage of these freedoms.
- 13.2 There is financial risk to the HRA if we were to reduce the time limit for Class C exemption (short term empty properties) to such a short period that most re-let periods attracted a Council Tax charge. The suggested approach, with regard to Class C, however is not expected to impact significantly on the HRA.
- 13.3 In increasing the charges for empty properties it needs to be recognised that there may be some owners of empty properties who are asset rich but cash poor. In such cases payment might not be readily forthcoming. However, in the case where an agreed solution could not be negotiated, the Council has the option of protecting the sum due through placing a charging order on the property, which would crystallise upon its sale.

14. Partnership Implications

- 14.1 The proposed changes will support the strategic aims of the Somerset West Private Sector Housing Partnership in encouraging empty properties to be brought back into use.
- 14.2 Members are asked to note that the recommendations being put forward within this report are identical to that being recommended by our Somerset West Private Sector Housing Partners, West Somerset District Council and Sedgemoor District Council.
- 14.3 Council Tax within Taunton Deane is billed and collected by Southwest One Revenues and Benefits Service.

15. Conclusion

- 15.1 The proposed changes would bring in additional Council Tax income to the Council and the other precepting authorities.
- 15.2 Bringing empty properties back into effective use will have a positive impact on the New Homes Bonus.
- 15.3 Reducing the number of long term empty properties has social benefits to the community through greater availability of housing to rent or to buy and reducing antisocial behaviour often associated with empty properties.

16. Recommendations

- 16.1 That, subject to the Government making the necessary regulations, the Executive recommends to the Full Council at its meeting on 11 December 2012 that from 1st April 2013, the Council:
 - (i) Allows a discount of 100% for a maximum of 12 months, in respect of properties which would have qualified for a class A exemption, had that exemption continued.
 - (ii) Allows a 100% discount, but limited to a maximum period of 3 months, in respect of properties which would otherwise have qualified for a class C exemption, had that exemption continued.
 - (iii) Removes the 10% discount on second homes;
 - (iv) Imposes a premium levy of an additional 50% of Council Tax due on properties that have been empty and unfurnished for more than 2 years.

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Background Papers

Technical reforms of council tax - Government consultation

<http://www.communities.gov.uk/documents/localgovernment/pdf/20192051.pdf>

Technical reforms of council tax - summary of responses report

<http://www.communities.gov.uk/documents/localgovernment/pdf/2152512.pdf>

Appendix A

MANDATORY PROPERTY EXEMPTIONS THAT WILL CONTINUE TO APPLY

Class	Description
B	Vacant dwelling owned by a charity (up to six months)
D	A dwelling left unoccupied by people who are in prison
E	An unoccupied dwelling which was previously the sole or main residence of a person who has moved into a hospital or care home
F	Dwelling left empty by a deceased person
G	An unoccupied dwelling where the occupation is prohibited by law
H	Unoccupied clergy dwelling
I	An unoccupied dwelling which was previously the sole or main residence of a person who is the owner or tenant and has moved to receive personal care
J	An unoccupied dwelling which was previously the sole or main residence of a person who is the owner or tenant and who has moved in order to provide personal care to another person
K	An unoccupied dwelling where the owner is a student who last lived in the dwelling as their main home
L	An unoccupied dwelling which has been taken into possession by a mortgage lender
M	A hall of residence provided predominantly for the accommodation of students
N	A dwelling that is occupied only by students, the foreign spouses of students or school and college leavers
O	Armed forces accommodation
P	A dwelling where at least one person who would otherwise be liable has a relevant association with a visiting force
Q	An unoccupied dwelling where the person who would otherwise be liable is a trustee in bankruptcy
R	Empty caravan pitches and moorings
S	A dwelling occupied only by a person, or persons, aged under 18

- T A dwelling which forms part of a single property which includes another dwelling and may not be let separately from the dwelling without a breach of planning control
- U A dwelling occupied by a person, or persons, who is or are severely mentally impaired who would otherwise be liable to pay the Council Tax or only by one or more severely mentally impaired person
- V A dwelling in which at least one person who would otherwise be liable is a diplomat
- W A dwelling which forms part of a single property, including at least one or other dwelling, and which is the sole or main residence of a dependant relative of a person who is resident in the other dwelling