

REPORT OF Council Tax Team Leader
To: Overview & Scrutiny (Internal)
Subject: Proposed Changes to Council Tax Legislation – Long Term Empty Premiums & Review Current Council Tax Local Discount Policy
Date: 18 December 2018

PURPOSE OF REPORT: To review the changes to Council Tax legislation for Long Term Empty Properties and the existing Torridge District Council, Council Tax Local Discount Policy for properties that are Unoccupied and Unfurnished or Undergoing Major Structural alterations or Uninhabitable to enable any changes to be agreed by 31 March 2019.

1. INTRODUCTION

With effect 1st April 2013 the Government introduced legislation that gave discretionary power to all Local Authorities to set their own levels of discount in respect properties that are Unoccupied and Substantially Unfurnished, Undergoing Major Repairs and Second Homes, it also gave Local Authorities powers to set an 'empty homes premium' (up to 150% charge) for properties that are unoccupied and Substantially Unfurnished for over 2 years.

On the 19th November 2012 the Community and Resources Committee agreed the Torridge District Council Local Discount Policy (April 2013) which allowed the following discounts:

- Unoccupied and Unfurnished properties – 100% discount for up to 3 months followed by a 100% charge.
- Unoccupied and Unfurnished and Undergoing Major Structural Alterations/Repair Works – 100% discount for up to 12 months, unless the works are completed sooner followed by a 100% charge.
- Second Home – no discount applicable.

The Council also commenced charging the 50% premium on properties that have been Unoccupied and Unfurnished for more than 2 years.

The 'Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill' was given Royal Assent on 1st November 2018.

This new legislation gives Local Authorities powers to charge higher amounts for long-term empty properties as follows:

- For the financial year from 1st April 2019 the maximum additional premium is 100%
- For the financial year from 1st April 2020 the maximum additional premium is:
 - a) Any property that has been empty between 2 and 5 years 100%
 - b) Any property that has been empty for over 5 years 200%
- For the financial year from 1st April 2021 the maximum additional premium is:
 - a) Any property that has been empty between 2 and 5 years 100%
 - b) Any property that has been empty between 5 and 10 years 200%
 - c) Any property that has been empty for over 10 years 300%

Now is an opportune time to also review the existing discounts and to understand the potential affect of adopting the proposed changes in legislation to long term empty properties.



At a meeting of the Overview & Scrutiny (Internal) held on 6 November 2018 it was agreed to set up a working group to review the implications of applying the new premiums and any reduction to the existing discounts.

The working group met on 21 November 2018 and was chaired by Councillor Watson and included Councillors Langmead and Tony Inch who were supported by the Council Tax Team Leader and Customer Support Manager.

2. REPORT

Council Tax is one of the Council's principle income streams at a time when government grants are being reduced. The 'financial implications' indicate the potential increased revenue if the Unoccupied and Unfurnished and Major Structural Alterations Discounts are reduced and if the maximum premiums are applied following the new legislation under the 'Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill'

By implementing these changes it will encourage home owners to occupy/bring their empty properties back into use more quickly.

The table below confirms what other Devon Council's currently allow for Unoccupied and Unfurnished and Major Structural Alterations properties and what their intentions are regarding The 'Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill'.

	Torridge	NDDC	East Devon	West Devon	Plymouth	Teign-bridge
Unoccupied and Unfurnished	3 months 100% discount	3 months 100% discount	3 months 100% discount	1 month 100% discount	1 month 100% discount	1 month 100% discount
Structural Alterations	12 month 100% discount	0 discount	12 months 50% discount	12 months 50% discount	12 months 50% discount	12 months 50% Discount Currently reviewing
Intended Change to Premiums	Maximum premiums to be applied	Maximum premiums to be applied	Maximum premiums to be applied	Maximum premiums to be applied	Maximum premiums to be applied	Maximum premiums to be applied

3. IMPLICATIONS

Legal Implications

The Council has discretionary powers to set levels of discount for properties that are Unoccupied and Substantially Unfurnished or Undergoing Major Structural Alterations. The discounts can be applied between 0 and 100%.

The 'Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill' gives Local Authorities the discretionary powers to charge the increased premiums for long term empty properties.

Any changes would need to be agreed by Council and advertised with the 2019/20 Council Tax Resolution by way of public notice. The Council Tax Discount and Premium Policy would need to be updated in line with any changes agreed.



Financial Implications

Unoccupied and Unfurnished and Structural Alterations Discount

The working group are proposing the following changes:

- The reduction for unoccupied and unfurnished properties discount from 3 months to 1 month.
- Properties undergoing structural alterations from 12 months to 6 months from 1st April 2019 and no discount from 1st April 2020.

The following tables indicate the potential increase in revenue that could be realised if the discount period is reduced based on the discounts allowed in the financial year 2017/2018.

Unoccupied & Unfurnished	Number Of Accounts	Current discount 3 months	1 month discount
Discount Totals	3,307	£536,142	£283,330
Increased Revenue		0	£252,812

Structural Alteration	Number of Accounts	Current discount 12 months	6 months Discount 2019	0 Discount 2020
Discount Totals	257	£150,612	£75,306	
Increased Revenue		0	£75,306	£150,612



The 'Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill

Using the baseline number of properties (70) as at 18 October 2018 that are already paying the 50% premium, the following table indicate the additional revenue that will be generated:

Long Term Empty Properties as at 18.10.2018 - Calculations Based on 2018/19 Banding Charges for Bideford Parish						
Property Band	Empty 2-5 years	Band Charge	50% premium	100% 2019	still 100% 2020	still 100% 2021
A	20	£1,228.15	£36,844.50	£49,126.00	£49,126.00	£49,126.00
B	10	£1,432.84	£21,492.60	£28,656.80	£28,656.80	£28,656.80
C	8	£1,637.53	£19,650.36	£26,200.48	£26,200.48	£26,200.48
D	7	£1,842.22	£19,343.31	£25,791.08	£25,791.08	£25,791.08
E	3	£2,251.60	£10,132.20	£13,509.60	£13,509.60	£13,509.60
F	1	£2,660.99	£3,991.49	£5,321.98	£5,321.98	£5,321.98
	49		£111,454.46	£148,605.94	£148,605.94	£148,605.94
	Empty 5 years	Band Charge	50% premium	100% 2019	200% 2020	still 200% 2021
A	2	£1,228.15	£3,684.45	£4,912.60	£7,368.90	7,368.90
B	5	£1,432.84	£10,746.30	£14,328.40	£21,492.60	21,492.60
C	2	£1,637.53	£4,912.59	£6,550.12	£9,825.18	9,825.18
D	2	£1,842.22	£5,526.66	£7,368.88	£11,053.32	11,053.32
E	2	£2,251.60	£6,754.80	£9,006.40	£13,509.60	13,509.60
	13		£31,624.80	£42,166.40	£63,249.60	63,249.60
	Empty 10 years	Band Charge	50% premium	100% 2019	200% 2020	300% 2021
A	1	£1,228.15	£1,842.23	£2,456.30	£3,684.45	4,912.60
B	3	£1,432.84	£6,447.78	£8,597.04	£12,895.56	17,194.08
C	1	£1,637.53	£2,456.30	£3,275.06	£4,912.59	6,550.12
D	1	£1,842.22	£2,763.33	£3,684.44	£5,526.66	7,368.88
E	2	£2,251.60	£6,754.80	£9,006.40	£13,509.60	18,012.80
	8		£20,264.44	£27,019.24	£40,528.86	54,038.48
		Totals	£163,343.70	£217,791.58	£252,384.40	£265,894.02
		Net additional revenue		£54,448	£89,041	£102,550



Summary of Working Group proposals

1. Adopt maximum premiums for long term empty properties.
2. Reduce 100% 3 month discount for unoccupied & substantially unfurnished properties to a maximum of 1 month from 1st April 2019.
3. Reduce the 100% 12 month discount for properties undergoing major structural alterations as follows:
 - 1st April 2019 – 100% discount for 6 months maximum
 - 1st April 2020 - 0% discount

Combined impact of all proposed changes					
	E&U 1 month	Structural Alterations	Premiums	Totals £	Torridge Share 9% (£)
2019	252,812	75,306	54,448	382,566	34,431
2020	252,812	150,612	89,041	492,465	44,322
2021	252,812	150,612	102,550	505,974	45,538
Total	758,436	376,530	246,039	1,381,005	124,290

The Customer Support Manager is currently in negotiations with Devon County Council regarding the potential to allow TDC to retain a higher percentage of the income generated from the changes.

Human Resources Implications

The Revenues Team have 1.5 Visiting Officers that inspect unoccupied and unfurnished properties and properties undergoing major structural alterations, the proposed reduction in discount for 2019 would not affect their role as there would still be a requirement to inspect the properties to confirm the discount is applicable.

From 2020 there may be reduced visits due to the structural alterations discount being removed. However, there would still be a necessity to periodically review unoccupied and unfurnished properties to ensure our empty property records are correctly indicated and updated when properties become occupied/furnished.

There may be a requirement for more visits to properties that are indicated as long term empty to verify claims from owners/liable person that the property has become furnished/occupied and ensure the premium charges are removed correctly.

Sustainability/Biodiversity Implications

By reducing discount available for unoccupied properties and applying the maximum premiums for long term empty properties it will encourage owners/liable persons to bring properties back into use, which could assist with the local housing needs.

Equality/Diversity

By amending our policy and providing clear definitions for Empty Properties and Premiums for long term empty properties, all property/liable owners/persons will be treated equally.



Risk Management

Owners attempting to avoid the Long Term Empty Premiums may claim their properties are furnished. By having a clear definition in the Policy of what constitutes a furnished property and a Visiting Officer inspecting the property to confirm if the property is considered furnished or substantially unfurnished will reduce this risk.

For reference, the Department of Communities and Local Government advice for definitions for the purposes of administering both discounts and premiums is:

1. A property which is substantially unfurnished is unlikely to be occupied or be capable of occupation. A property which is capable of occupation can reasonably be expected to contain some, if not all, items from both of the following categories: furniture such as bed, chairs, table, wardrobe or sofa, and white goods such as fridge, freezer or cooker.
2. Where a property is said to be occupied it will be reasonable for the local authority to cross-check with the electoral roll , or ask for evidence, such as utility bills showing usage of services, driving licence as proof of address, or receipts or other proof of moving costs.

Compliance with Policies and Strategies

If Members agree to make changes then the existing policy will need to be updated to reflect this.

Data Protection (GDPR) Implications

Only data that is necessary for the performance of the service is collected; data is held securely and can only be accessed by officers who have a legitimate need to view/use it.

Data will be kept for as long as is necessary but no longer than six years plus the current year.

Ward Member and Lead Member Views

Date of Consultation -

3. CONCLUSIONS

This is an ideal opportunity to review the Council's empty property Council Tax Local Discounts Policy and the new legislation regarding Long Term Empty Premiums.

This report indicates the potential increased revenue that could be generated by reducing the discounts available and adopting the new premiums under the 'Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill'.

Applying the new premiums to long term empty properties and reducing the empty property discounts would also encourage owners/liable persons to occupy/bring empty properties back into use.

The Working Group have agreed to recommend reducing the discounts available for empty properties , which would result in potential increased income for the Council and would also still allow the property owners/liable persons some relief when their property becomes unoccupied and unfurnished:



5. RECOMMENDATIONS

It is recommended that:

- i) The 'Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill' is adopted and the premiums are applied from 1st April 2019;
- ii) Reduce 100% 3 month discount for unoccupied & substantially unfurnished properties to a maximum of 1 month from 1st April 2019.
- iii) Reduce the 100% 12 month discount for properties undergoing major structural alterations as follows:
 - o April 2019 – 100% discount for 6 months maximum
 - o 1st April 2020 - 0% discount
- iv) Agree to a new Local Council Tax discount and premium policy that reflects any changes made.

SUPPORTING INFORMATION

Consultations:

Date of Consultation:

Contact Officer:

Officers Consulted -

Background Papers:

