

**EFFICIENCY AND RESOURCES SCRUTINY COMMITTEE
12 SEPTEMBER 2019**

COUNCIL TAX EMPTY PROPERTY PREMIUM

Purpose of the Report

1. To consider proposed changes to the Council Tax empty property premium following public consultation.

Summary

2. A 50% Council Tax premium (additional charge) was introduced in April 2013 for all unoccupied and unfurnished domestic properties which have been empty for 2 years or more, this being the maximum the Council was permitted to charge.
3. New legislation was introduced in November 2018 allowing Councils to:
 - (a) Increase the Council Tax premium for properties empty for 2 years or more to 100% (double the Council Tax normally charged)
 - (b) Increase the Council Tax premium for properties empty for 5 years or more to 200% (treble the Council Tax normally charged)
 - (c) Increase the Council Tax premium for properties empty for 10 years or more to 300% (quadruple the Council Tax normally charged).
4. Consultation has been undertaken with the owners of long-term empty properties and this report sets out the outcome of that consultation along with the options available, before recommendations by Cabinet and decision by Council.

Recommendation

5. It is recommended that Scrutiny Members consider the contents of this report and the implications of the changes.

Ian Williams
Director of Economic Growth and Neighbourhood Services

Background Papers

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

S17 Crime and Disorder	There are no crime and disorder implications in this report
Health and Well Being	There are no health and well-being implications in this report
Carbon Impact	There are no carbon impact implications in this report
Diversity	The impact of this proposed change on Diversity has been considered and is set out in the main report
Wards Affected	All wards may be affected but particularly those with high numbers of long-term empty properties
Groups Affected	Owners of long-term empty properties will be impacted upon in this report
Budget and Policy Framework	This report does not represent a change to the budget or policy framework
Key Decision	This is not a key decision
Urgent Decision	For the purpose of the 'Call-in' procedure this does not represent an urgent decision
One Darlington: Perfectly Placed	The report has no particular implications for the Sustainable Community Strategy
Efficiency	Changes to the Council Tax empty property premium will potentially generate extra income for the Council
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

Background

6. The Local Government Finance Act 2012 introduced a new provision for the application of a Council Tax premium for long-term empty properties. In order for the empty property premium to apply, the following conditions have to be met:
 - (a) The property must have been unoccupied and substantially unfurnished for a continuous period of 2 years.
 - (b) Once the property is occupied and/or substantially furnished, the empty property premium no longer applies. If the property then becomes unoccupied and substantially unfurnished again, the empty property premium would not apply until a further period of 2 years has elapsed.
 - (c) However, periods of occupation of 6 weeks or less do not count. In these circumstances, the empty property premium would apply straight away if the property became unoccupied and substantially unfurnished again.
 - (d) Councils have the discretion to charge up to 50% extra Council Tax for the property.

7. Following consultation, the Council decided in January 2013 to implement a 50% Council Tax empty property premium from 1 April 2013. This decision was in line with most other Councils.

New Legislation

8. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 introduced new powers for Councils to increase the Council Tax empty property premium for long-term empty properties, as follows:
 - (a) From April 2019, allowing Councils to increase the Council Tax premium for properties empty for 2 years or more to 100% (double the normal Council Tax charged).
 - (b) From April 2020, allowing Councils to increase the Council Tax premium for properties empty for 5 years or more to 200% (treble the normal Council Tax charged).
 - (c) From April 2021, allowing Councils to increase the Council Tax premium for properties empty for 10 years or more to 300% (quadruple the normal Council Tax charged).
9. The purpose of the new legislation is to further encourage landlords and property owners to bring their empty homes back into use as soon as possible and to penalise those owners who deliberately leave their properties empty for years.
10. The late publication of the legislation in 2018 did not allow sufficient time for the Council to undertake consultation and consider the changes in time for the Council Tax billing for 2019-20. Therefore, these changes are being considered for introduction in April 2020.

Analysis

11. As at June 2019, there were 154 domestic properties in Darlington classed as "long-term empty" where the Council Tax empty property premium applies. This represents 0.3% of all domestic properties in Darlington. Of these 154 properties, 54 have been empty for 5 years or more and 23 have been empty for 10 years or more.
12. For 2019-20 the Council Tax empty property premium will generate an additional £106k of Council Tax income.
13. The number of long-term empty properties has reduced slightly since the Council Tax empty property premium was introduced in April 2013 (200 properties), but has remained at around 150 properties since then.
14. Periodic reviews of long-term empty properties are carried out by Revenues and Benefits Inspection Officers. Based on their observations, the current situation with the 154 long-term empty properties are as follows:
 - (a) 27 are up for sale
 - (b) 6 are to let
 - (c) 24 are being refurbished
 - (d) 3 are due for demolition

- (e) 11 are 'no action'. This is where contact has been made with the owner and they have no immediate intention of refurbishing, occupying, selling or letting the property.
- (f) 83 are 'not known'. In some cases this is because the property is inaccessible (an upstairs flat or a house on a gated development). In all cases the properties do not appear to be undergoing any refurbishment or redevelopment and there are no 'for sale' or 'to let' signs on the properties. Contact cannot be made with the owners, some of whom reside outside of Darlington. Some of the properties have been boarded up and appear to have been abandoned.

15. However, out of the 154 long-term empty properties, only 25 are in arrears with their Council Tax, which means that the majority of the owners (84%) are paying the Council Tax empty property premium. This includes the majority of the properties in the 'no action' or 'not known' category (those that are not being refurbished or actively sold or let).

Impact of the new legislation

16. Table 1 below shows the estimated Council Tax charges on long-term empty properties if the Council introduced these changes from April 2020. The amounts are based on a standard band D property charge (not including any parish precept) and on the Council Tax charged for 2019-20 (and therefore not including any uplifts for future years).

Table 1: Potential Council Tax Charges for Long-Term Empty Properties

	Standard Band D charge 2019-20	With 50% premium for 2019-20	With 100% and 200% premiums for 2020-21	With 300% premium for 2021-22
Empty for 2 years or more	£1,814.38	£2,721.57	£3,628.76	£3,628.76
Empty for 5 years or more	£1,814.38	£2,721.57	£5,443.14	£5,443.14
Empty for 10 years or more	£1,814.38	£2,721.57	£5,443.14	£7,257.52

17. Table 2 shows the potential extra Council Tax income that could be generated by increasing the empty property premium from April 2020 and April 2021.

Table 2: Potential Council Tax income from increasing the empty property premium

Year	Total income from the empty property premium	Additional income from increasing the empty property premium
2019-20	£105,939	£0
2020-21	£286,471	£180,532
2021-22	£316,711	£210,772

18. The existing legislation allows Councils to consider any types of property where the Council Tax empty property premium would not apply. In addition to the proposals for increasing the premium from April 2020, consideration is also being recommended for the following protection to be applied (where the Council Tax empty property premium would not apply):
 - (a) Properties being marketed for sale or rent. The Council would need to see evidence that the property is actively being marketed for sale or rent (for example through an estate or letting agent) and that the sale/rental price is reasonable taking into account the size, location and condition of the property.
 - (b) Properties being renovated. The Council would need to see evidence that the property requires major renovation work and that this work is currently being carried out with a view to bringing the property back into use.
 - (c) Properties where there is a legal or other reason preventing the property from being occupied, sold or rented. The Council would need to see evidence of this, for example from a solicitor.
19. It is important that we introduce these exemptions as part of the package of changes we are considering, as it will be difficult, for example for an owner to sell a long-term empty property in need of renovation, where a Council Tax empty property premium will apply straight away to the new owner.
20. Advice and assistance is available to owners of long-term empty properties from the Council's Private Sector Housing team and details are available on our website at: www.darlington.gov.uk/housing/private-sector-housing/empty-properties/
21. Other Council Tax exemptions already exist in certain cases, where Council Tax is not charged (and therefore the empty property premium would not apply). These include:
 - (a) Empty properties where the owner has died and the executors of the estate are awaiting grant of probate.
 - (b) Empty properties where the occupier is in detention.
 - (c) Empty properties where the occupier is resident in a hospital, care home or nursing home.
 - (d) Empty properties where the occupier is receiving other care away from their home.
 - (e) Empty properties where the occupier is providing care to someone else away from their home.
 - (f) Empty properties where occupation is prohibited by law.
 - (g) Empty properties repossessed by a mortgage lender.
22. In addition, where the property is derelict and uninhabitable, the owner can request the Valuation Office Agency to take the property out of the Council Tax list.

Outcome of consultation

23. In May 2019, the Revenues and Benefits service undertook a public consultation exercise about the proposed changes. 160 letters were sent to the owners of long-term empty properties. The letters explained the details of the proposed changes and the financial impact on their properties. The owners were invited to complete a paper survey or log on to an on-line survey for their views. In addition, the on-line survey was also available on the Darlington Borough Council website for anyone to complete.
24. At the end of the consultation exercise, 26 responses were received in total, 19 of these from owners of long-term empty properties (a 12% response rate). The results of the consultation exercise are given at **Appendix 1**, with a summary as follows.
25. Respondents were asked if they supported the proposed increases in the Council Tax empty property premium and not surprisingly 20 people (77%) did not support the proposals.
26. Respondents were asked if the proposed increases would affect them and 17 out of the 19 property owners (89%) stated that the proposed increases would affect them. Some of the concerns raised by respondents included:
 - (a) Owners on a low income
 - (b) Properties that require renovation
 - (c) Owners being unable to afford the mortgage
 - (d) Difficulties in selling the properties
 - (e) Properties that are prohibited from being let.
27. Respondents were asked about their current plans for their properties:
 - (a) 7 respondents (37%) were selling the property
 - (b) 6 respondents (32%) were letting the property
 - (c) 2 respondents (11%) were refurbishing the property
 - (d) 1 respondent (5%) was keeping the property empty
 - (e) 3 respondents (16%) had no plans or did not know.
28. Respondents were asked if the proposed increases would change their future intentions for the property and 9 respondents (47%) said they would.
29. Respondents were also asked to give their comments about the proposals, and these are included in Appendix 1. In addition, an Equality Impact Assessment has been completed in relation to these proposals, and this is given at **Appendix 2**.

Conclusion

30. It is recommended that the changes to the Council Tax empty property premium should be implemented in April 2020, but to provide protection for those owners who are making genuine efforts to bring their long-term empty properties back into use.