

REPORT TO	ON
CABINET	16 October 2019



TITLE	PORTFOLIO	REPORT OF
Council Tax Empty Properties & Second Homes Report	Cabinet Member for Community Engagement, Social Justice and Wealth Building	Director of Customer and Digital

Is this report a KEY DECISION (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	Yes
Is this report on the Statutory Cabinet Forward Plan ?	Yes
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	Yes
Is this report confidential?	No

PURPOSE OF THE REPORT

1. To inform Members on the proposed changes to the Council Tax Second Home discount and of the proposed changes to the Council Tax Long Term Empty Premium charge.
2. To outline proposals and gain approval to the removal of the Council Tax Second Home discount and increase the Council Tax Long Term Empty Premium charge (as below paragraph 5) with effect from 1 April 2020.
3. To gain approval for a new Council Tax Local Empty Discounts and Exemptions Policy (please see **Appendix A**).

PORTFOLIO RECOMMENDATIONS

4. That Cabinet supports the recommendation for Council to approve the proposed policy changes for the removal of the current 10% discount applied for Council Tax Second Homes.
5. That Cabinet supports the recommendation for Council to approve the proposed policy changes to increase the Council Tax Long Term Empty Premium charge from 1 April 2020 as shown below:-

Effective Date	Empty Period	Existing Premium	Proposed Premium
1 April 2020	2-5 years	50%	100%
	5 years+	50%	200%

1 April 2021	2-5 years	50%	100%
	5-10 years	50%	200%
	10 years+	50%	300%

6. That Cabinet supports the recommendation for Council to approve a new Council Tax Local Empty Discounts and Exemptions Policy to reflect the above changes (please see **Appendix A**)

REASONS FOR THE DECISION

7. The council implemented an Empty Home Policy in 2013. These changes are intended to complement and enhance this policy in returning long term empty properties back into use.
8. To make best use of the housing in the area by minimising the length of time it remains empty.
9. To raise additional Council Tax income that can be used to maintain services and help keep the overall level of Council Tax at an affordable level for all residents.
10. The proposed changes will maximise the incentive for owners of long term empty homes to bring their properties back into use and support work already undertaken by the Council to reduce the number of long term empty properties and make better use of existing housing in the borough.
11. It was approved at Cabinet in July 2019 that due to the proposed changes to the Council Tax Support scheme (CTSS) for 2020/21, the Council would explore other income opportunities associated with the Council Tax second homes and empty homes premium charges.

CORPORATE PRIORITIES

12. The report relates to the following corporate priorities:

Excellence and Financial Sustainability	X
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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BACKGROUND TO THE REPORT

13. The Government introduced technical reforms of council tax as part of the Local Government Resource Review. The Local Government Act 2003 introduced the ability to reduce the discount offered on Second Homes and furnished empty properties down from 50 to 10%. These changes were implemented by the council in 2004.
14. The Local Government Finance Act 2012 introduced further discretion for billing authorities to vary some of the existing council tax discounts and exemptions from the

1st April 2013. The Council decided initially not to implement these changes in 2013/14, but did so with effect from 1st April 2014. This included the provision to levy a premium of 50% upon Long Term Empty Properties where a period of 2 years has elapsed since the property was last occupied.

15. In July 2018 an amendment to the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act has given local authorities powers from 1 April 2019 to charge greater Council Tax premiums on homes that have been empty and unfurnished for more than 2 years.

PROPOSALS

16. Second Homes

A second home is defined as a dwelling, which is no one's sole or main residence but which is furnished.

As at September 2019 the total number of second home properties is 134.

Currently a charge of 90% is applied (10% discount). A proposed charge of 100% will be applied for second homes (0% discount). The charge applies to all cases except where the legislation determines otherwise and in those cases (as follows) a charge of 50% will apply (rather than the proposed 100%):

- Dwellings which are furnished but unoccupied because the owner is liable to a Council Tax elsewhere in job-related accommodation;
- Empty but furnished dwellings of service personnel resident in accommodation provided by the Ministry of Defence;
- If the dwelling is a caravan or houseboat; or
- Where members of the clergy are required to live in accommodation provided by their employer to perform the duties of their office.

17. Empty Homes Premium (Long Term empty dwellings >2 years)

A long term empty dwelling is one that has been vacant in excess of two years and as such is currently subject to an Empty Homes Premium of 50%, in addition to the 100% charge already levied in respect of empty premises.

As at September 2019 the total number of long term empty homes premium is 172 properties.

The main aim of the proposed change is to encourage owners to bring empty properties back into use quicker, at a time when there is an overall housing shortage and social housing waiting list. The Government considers that long term empty properties attract squatters, vandalism and anti-social behaviour, and are a blight on the community.

Liability for the Empty Homes Premium is determined by the length of time that the property has been empty. An individual who purchases a property, which has already been empty for two-years, may be required to pay the premium as soon as they take ownership. A period of occupation of over six weeks qualifies as a break in the empty period, 'resetting the clock' for the purposes of the Empty Homes Premium.

Two classes of property are exempt by statute from the Empty Homes Premium as detailed below:

- A dwelling which is the sole or main residence of a member of the armed forces, who is absent from the property as a result of such service.
- An annex deemed unoccupied because it is being treated by the occupier of the main dwelling as part of that main building.

18. Council Tax Local Empty Discounts and Exemptions Policy (including Discretionary Powers)

It is proposed that with the approval of the above recommendations to the changes in the charges, that a Council Tax Local Empty Discounts and Exemptions Policy also be

approved that provides full details of the changes. It is also proposed that contained within the policy is information relating to delegated authority to the director in consultation with the portfolio holder (please see Appendix A).

CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

19. A question regarding changes to Council Tax for second homes and empty premises has been built into the Council Tax Support Scheme 2020/21 Consultation.
20. There are no legislative requirements to undertake further consultation in relation to the proposals contained within this report. However members may wish officers to undertake further consultation recognising this may impact on the implementation of the proposed changes and require additional time and resources.
21. Any changes to these discounts will be formally advertised in accordance with the regulations. In addition all potentially affected charge payers will be contacted prior to the annual billing process in March 2020.

ALTERNATIVE OPTIONS CONSIDERED

22. An alternative option would be to leave the current Council Tax discount on for second homes and the premium at 50% on for homes that have been empty and unfurnished for more than 2 years. This option would mean the Council would not be using all available measures to incentivise long term empty property owners to bring their properties back into use or maximise any potential additional income.

FINANCIAL IMPLICATIONS

23. These changes will provide additional income for the council's Collection Fund. This would therefore benefit all participants of the collection fund (i.e. Lancashire County Council, Police authority, Fire authority and South Ribble Borough Council). The benefit is split in proportion of the Council Tax. Therefore, all but 12% of the benefit would be passed to the other precepting authorities. The estimated income in 2020/21 for the County Council is £104,504.29 and for SRBC the estimated income in 2020/21 is £16,946.64. Please see **Appendix B** for an estimated breakdown of income per authority for 2020/21. The formula used to determine the income involves adding the amended 2nd home figure (no discount) to the new premium figures (increase in >2yr & >5yr) minus the existing premium figure (50%), which gives a total additional revenue amount. It should be noted that if the proposed changes to the policy prove successful in encouraging more properties back into use, the revenue they raise will decline in future years.

LEGAL IMPLICATIONS

24. The Acts detailed in the report provide the framework to enable South Ribble Borough Council to implement these changes.
25. Under the Local Government Finance Act 1992 (as amended) the Council, as the billing authority, may determine that the prescribed Council Tax discount shall not apply or shall be of a lesser percentage in relation to second homes and empty homes. The Council when varying or revoking a previous determination under Section 11A of the 1992 Act for a financial year, must do so before the beginning of the year. Any such determination must be published in at least one newspaper

circulating in its area before the end of twenty one days beginning on the date of the determination.

AIR QUALITY IMPLICATIONS

26. None

HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS

27. Whilst the changes will result in additional Council Tax being charged, collection of monies due on empty properties has historically proven to be more challenging and resource intensive. The projected collection rates would be monitored and may need to be revised.

ICT/TECHNOLOGY IMPLICATIONS

28. Our existing software is already capable of processing and administering the relevant proposed changes.

PROPERTY AND ASSET MANAGEMENT IMPLICATIONS

29. None.

RISK MANAGEMENT

30. The keys risks are managing the Councils reputation associated with the proposed changes and collection rates. Detailed risk assessment will be completed further to agreement to the proposed changes.

EQUALITY AND DIVERSITY IMPACT

31. The relevant equality implications are ensuring the proposed changes do not have a detrimental impact on targeted groups. A detailed equality impact assessment will be completed further to agreement to the proposed changes.

RELEVANT DIRECTORS RECOMMENDATIONS

32. This report addresses the challenges for the council in relation to mitigating the risks associated with the changes to the Council Tax Support Scheme 2020/21 and bringing empty homes back in to use.

COMMENTS OF THE STATUTORY FINANCE OFFICER

33. As set out in the report, local authorities have been given powers to charge greater Council Tax premiums on homes that have been empty and unfurnished long-term. By applying these measures, the Council is encouraging property owners to bring these properties back into use. At the outset this will increase income and this has been modelled based on current data, although if the policy is successful then the additional income from charging these premiums will reduce over time. With regard to second homes, the removal of the 10% discount will also result in a further increase in income for the Council and the precepting authorities.

COMMENTS OF THE MONITORING OFFICER

34. There is a profusion of legislative provisions in this area. In particular the proposed premium for Long Term Empty properties is in line with the parameters set out in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act. As ever when exercising our discretion we must do so in a reasonable way – our decisions should be informed by proper reasoning. In this instance it is considered that what is proposed here is reasonable. Members may consider it desirable to carry out a consultation exercise on these proposals – this is a matter for them.

BACKGROUND DOCUMENTS

Local Government Finance Act 1992 (as amended)
Local Government Act 2003 (as amended)
Local Government Finance Act 2012 (as amended)
The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012
Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018
South Ribble Borough Council's Empty Homes Policy
Cabinet 10th July 2019: Council Tax Support Scheme 2020/21 Consultation

APPENDICES

Appendix A – Council Tax Local Empty Homes Discounts and Exemptions Policy
Appendix B – 2020-21 Projected Additional Revenue

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