Rotherham Metropolitan Borough Council

Public Report
Cabinet and Commissioners' Decision Making Meeting

Summary Sheet

Name of Committee and Date of Committee Meeting
Cabinet and Commissioners' Decision Making Meeting – 15 January 2018

Report Title:
Increase in Council Tax Empty Property Premium

Is this a Key Decision and has it been included on the Forward Plan?
Yes

Strategic Director Approving Submission of the Report
Judith Badger – Strategic Director, Finance & Customer Services Directorate

Report Author(s)
Robert Cutts – Service & Development Manager - Revenues, Benefits & Payments
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Ward(s) Affected
All

Summary

From 2013/14 the Government introduced changes affecting the way that Council Tax was charged on certain types of empty property or second homes, by allowing Local Authorities increased discretion to set the level of charges locally.

One option available to Local Authorities was the introduction of a 50% Premium for long term empty properties which had been unoccupied and substantially unfurnished for a period of over two years. The principle of the introduction of the Premium was to incentivise owners to bring empty properties back into use.

The Council introduced the Council Tax Premium with effect from 1st April 2013 with the 50% Premium being charged on the two year anniversary of a property becoming unoccupied and substantially unfurnished.

In the November 2017 Budget statement, the Chancellor of the Exchequer announced that authorities would be given the power to increase the Council Tax empty homes premium from the current level of 50% to 100% as further encouragement to owners to bring empty properties back into use.

No further detail has yet been released by the Government regarding the implementation timeline or any exceptions that may be introduced and the change will require legislation meaning the earliest implementation date cannot yet be confirmed.

Recommendations

That Cabinet recommend to Council:

- That an increase in the Empty Property Premium from 50% to 100% from the 1 April 2018 or any later date upon which the Autumn Budget 2017 provision to increase the Empty Homes Premium is implemented.

List of Appendices Included
None

Background Papers
None

Consideration by any other Council Committee, Scrutiny or Advisory Panel
Overview and Scrutiny Management Board – 10 January 2018

Council Approval Required
Yes

Exempt from the Press and Public
No

Increase in Council Tax Empty Property Premium

1. Recommendations

That Cabinet recommend to Council:

1.1 That an increase in the Empty Property Premium from 50% to 100% from the 1 April 2018 or any later date upon which the Autumn Budget 2017 provision to increase the Empty Homes Premium is implemented.

2. Background

2.1 From 2013/14 the Government introduced changes affecting the way that Council Tax was charged on certain types of empty property or second homes, by allowing Local Authorities increased discretion to set the level of charges locally.

2.2 One option available to Local Authorities was the introduction of a 50% Premium for long term empty properties which had been unoccupied and substantially unfurnished for a period of over two years. The principle of the introduction of the Premium was to incentivise owners to bring empty properties back into use.

2.3 The Council introduced the Council Tax Premium with effect from 1st April 2013 with the 50% Premium being charged on the two year anniversary of a property becoming unoccupied and substantially unfurnished. Government introduced exceptions to the Premium for annexes and properties which were the sole or main residence of members of the armed forces.

2.4 In addition to the two exceptions for annexes and armed forces, Government included in both the consultation and subsequent guidance their expectations that councils would consider why properties were empty including whether they were genuinely on the housing market for sale or rent. Government stipulated in their guidance however that billing authorities were free to make their own decisions when administering the premium.

2.5 Rotherham, like many other authorities, considered that the determination of whether a property was genuinely on the housing market for sale or rent would be difficult and create an administrative burden. No exceptions were therefore adopted and the Premium in Rotherham is applied to all long term empty properties without any locally determined exceptions.

2.6 Liable parties are advised of the Premium six months in advance of it coming into effect. Where they are struggling with payment the Council Tax teams will work with them to agree payments and where a sale is imminent will agree to payment from proceeds of sale if backed by a solicitor's agreement. Although Charging Orders can be obtained to secure any Council Tax arrears this can incur substantial additional costs and is generally only used where the level of arrears is high and taxpayer is not making efforts to pay. The Charging Order can be used to force the sale of the property in certain circumstances such as high arrears levels or where a property is abandoned.

2.7 In the November 2017 Budget statement the Chancellor of the Exchequer announced that authorities would be given the power to increase the Council Tax empty homes premium from the current level of 50% to 100% as further encouragement to owners to bring empty properties back into use.

3. Key Issues

3.1 No further detail has yet been released by the Government regarding the implementation timeline or any exceptions that may be introduced. However it is considered that the change will require Legislation and it is not known when this will be enacted. The recommendation is therefore that the change be implemented at the earliest possible date on or after 1st April 2018.

4. Options considered and recommended proposal

4.1 The Council could choose not to introduce the 100% Premium however it is considered that it is desirable to do so in order to incentivise owners to bring empty properties back into use and thus reduce the shortage of available housing.

4.2 Exceptions to the 100% Premium could be introduced where, for example, it is considered that a property is genuinely on the housing market for sale or rent. However this would require a change to the current scheme arrangements and as was previously considered, it would be very difficult to implement accurately and fairly, involving a substantial amount of individual opinion.

5. Consultation

5.1 It is unknown, until further detail is released by Government, whether public consultation will be required before a 100% Premium is introduced, although this was not required in 2013 when the initial 50% Premium was introduced.

6. Timetable and Accountability for Implementing this Decision

6.1 The Council is awaiting further detail from Government regarding the introduction of the 100% Premium however the intention is to implement the change from 1st April 2018 or the earliest date allowed thereafter.

7. Financial and Procurement Implications

7.1 In Rotherham the 50% Council Tax premium charges totalled £178k for 2016/17. An increase in the Premium to 100% could result in a further increase in Council Tax income by a similar amount, although this figure could be lower if the increase results in a reduction in long term empty properties.

7.2 The increase in income will contribute to the budget gap of £15.1m for 2018/19. Any implementation delay risk will be managed through the Council's Collection Fund and hence does not constitute a risk to the 2018/19 Budget.

8. Legal Implications

8.1 The implementation of the Autumn Budget 2017 provision to increase the Empty Homes Premium from 50% to 100% will require legislation. It is not yet known when the new provisions will take effect.

9. Human Resources Implications

9.1 No direct implications from this report.

10. Implications for Children and Young People and Vulnerable Adults

10.1 No direct implications from this report.

11. Equalities and Human Rights Implications

11.1 No direct implications from this report.

12. Implications for Partners and Other Directorates

12.1 No direct implications from this report.

13. Risks and Mitigation

13.1 The implementation of the 50% premium in 2013/14 prompted a number of complaints from affected taxpayers, elected members and Members of Parliament. It is likely that an increase in the Premium to 100% may have the same effect.

14. Accountable Officer(s)

Judith Badger, Strategic Director of Finance and Customer Services

Approvals obtained on behalf of:-

	Named Officer	Date
Strategic Director of Finance & Customer Services	Graham Saxton	21/12/17
Assistant Director of Legal Services	Dermot Pearson	21/12/17
Head of Procurement (if appropriate)	Not applicable	
Head of Human Resources (if appropriate)	Not applicable	

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