

Summary Sheet

Name of Committee and Date of Committee Meeting

Cabinet – 17 December 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 of Finance and Customer Services

Report Author(s)

Robert Cutts, Service & Development Manager - Revenues, Benefits & Payments
01709 823320 or robert.cutts@rotherham.gov.uk

Ward(s) Affected

Borough-wide

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.

In January 2018 Cabinet approved the introduction of the 100% Premium, which is expected to be effective from 1st April 2019. However it has subsequently been announced that further changes are to be introduced to the Premium for the financial years 2020/21 and 2021/22, which would allow Councils to apply larger premiums to properties unoccupied and unfurnished for over five and ten years. It is understood that further guidance regarding implementation of the 2020/21 and 2011/22 changes may be released by the Government at a later date.

Legislation to introduce the changes to premiums received Royal Assent in November 2018 and it is expected that guidance in respect of the changes that can be applied from 2020/21, will be issued thereafter.

Recommendations

1. That Cabinet recommend to Council that subject to the legislation being introduced an increase in the Empty Property Premium as follows;
 - (a) From 2020/21 a 200% premium for properties unoccupied and unfurnished for over five years.
 - (b) From 2021/22 a 300% premium for properties unoccupied and unfurnished for over ten years.
 - (c) Any decisions required in relation to the implementation of premiums following the issue of Government guidance, be delegated to the Strategic Director of Finance and Customer Services, in consultation with Cabinet Member for Corporate Services and Finance.

List of Appendices Included

None

Background Papers

None

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Increase in Council Tax Empty Property Premium

1. Recommendations

- 1.1 That Cabinet recommend to Council an increase in the Empty Property Premium as follows;
 - 1.1.1 From 2020/21 a 200% premium for properties unoccupied and unfurnished for over five years.
 - 1.1.2 From 2021/22 a 300% premium for properties unoccupied and unfurnished for over ten years.
 - 1.1.3 Any decisions required in relation to the implementation of premiums following the issue of Government guidance, be delegated to the Strategic Director of Finance and Customer Services, in consultation with Cabinet Member for Corporate Services and Finance.

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 the 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. Analysis of the accounts where a premium was being charged showed that only 10% had an outstanding Liability Order as a result of non-payment. It is assumed that the level of non-payment will increase should higher premiums be introduced.
- 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.
- 2.8 In January 2018 Cabinet approved the introduction of the 100% Premium, which is expected to be effective from 1st April 2019. The current premiums that have already been approved by Cabinet are detailed in the table below.

	Over 2 Years	Over 5 years	Over 10 years
2018 / 19	50%	50%	50%
2019 / 20	100%	100%	100%

- 2.9 It has subsequently been announced that further changes are to be introduced to the premium for the financial years 2020/21 and 2021/22, which would allow Councils to apply larger premiums to properties unoccupied and unfurnished for over five and ten years. It is understood that further guidance regarding implementation of the 2020/21 and 2011/22 changes may be released by the Government at a later date.

- 2.10 The proposed new percentages are as detailed in the table below.

	Over 2 Years	Over 5 years	Over 10 years
2020 / 21	100%	200%	200%
2021 / 22	100%	200%	300%

- 2.11 The breakdown of the 324 properties currently attracting a premium, by property band, is shown in the following two tables by number and percentage.

Numbers of premiums in each band and age group

	A	B	C	D	E	F	G	H
2 years	153	19	10	11	3	0	0	0
5 years	58	7	6	4	2	2	1	0
10 year	38	6	3	1	0	0	0	0
Total	249	32	19	16	5	2	1	0

Percentages of premiums in each band and age group*

	A	B	C	D	E	F	G	H
2 years	78%	10%	5%	6%	2%	0%	0%	0%
5 years	73%	9%	8%	5%	3%	3%	1%	0%
10 year	79%	13%	6%	2%	0%	0%	0%	0%
Overall	77%	10%	6%	5%	2%	1%	0%	0%

*Rounded to the nearest whole percentage

2.12 The annual charges for each Band as a result of the various premiums can be seen in the following table. These figures are based on 2018/19 charges without a parish precept

Premium	A	B	C	D	E	F	G	H
None	£1,146	£1,337	£1,528	£1,719	£2,101	£2,483	£2,865	£3,438
50%	£1,719	£2,006	£2,292	£2,579	£3,152	£3,725	£4,298	£5,158
100%	£2,292	£2,674	£3,056	£3,438	£4,202	£4,967	£5,731	£6,877
200%	£3,438	£4,011	£4,584	£5,158	£6,304	£7,450	£8,596	£10,315
300%	£4,584	£5,349	£6,113	£6,877	£8,405	£9,933	£11,461	£13,753

2.13 Legislation to introduce the changes to premiums received Royal Assent in November 2018 and it is expected that further guidance will be issued thereafter in respect of the changes that can be applied from 2020/21.

3. Key Issues

3.1 Legislation to introduce the changes to premiums received Royal Assent in November 2018 and it is expected that further guidance will be issued subsequently regarding the implementation by councils of the 2020/21 and 2021/22 changes.

4. Options considered and recommended proposal

4.1 The Council could choose not to introduce some or all of the premium increases 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 premium 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 The recommendations have been considered by the relevant Cabinet Member who is supportive of the recommendations to increase the Council Tax Empty Premium for the financial years 2020/21 and 2021/22.

6. Timetable and Accountability for Implementing this Decision

6.1 The Legislation regarding increases to the premium received Royal Assent in November 2018. Increases to the premium in Rotherham would be introduced based on the effective dates of each individual change as outlined in the legislation.

7. Financial and Procurement Implications

7.1 In Rotherham the 50% Council Tax premium charges for 2018/19 is expected to total £198k per annum.

7.2 Although the number of properties attracting a Premium over recent years has not fluctuated much, the value of the premium has steadily increased as Council Tax charges have risen year on year, particularly with the introduction of the Adult Social Care Precept.

7.3 Over recent years the gross value of the Premium raised, inclusive of any precepts, has been as follows although it should be noted that not all Premium raised is collected;

- 2013/14 = £160k
- 2014/15 = £133k
- 2015/16 = £159k
- 2016/17 = £178k
- 2017/18 = £175k
- 2018/19 = £198k

7.4 Based on the current empty properties and Council Tax charges, the premium charges for this year and subsequent years, with the maximum premium percentage applied, are estimated as set out below. These amounts could reduce if the increased premium charge encourages liable parties to sell properties, bring them back into occupation or furnish them.

	Over 2 Years	Over 5 years	Over 10 years	Total
2018/19	£120k	£49k	£29k	£198k
2019/20	£240k	£98k	£59k	£397k
2020/21	£240k	£196k	£117k	£553k
2021/22	£240k	£196k	£176k	£612k

7.5 Based on the Medium Term Financial Strategy assumption of a Council Tax increase of 1.99%, the increase in income above current budget plans will be in the region of £160k from 2020/21 and will contribute to the budget gap of £15.8m 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 Budget.

8. Legal Implications

8.1 Legislation to introduce the changes to premiums received Royal Assent in November 2018.

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 further increases in the Premium may have the same effect.

14. Accountable Officer(s)

Graham Saxton, Assistant Director of Financial Services

Approvals obtained on behalf of:-

	Named Officer	Date
Strategic Director of Finance & Customer Services (S.151 Officer)	Graham Saxton	09/11/18
Assistant Director of Legal Services (Monitoring Officer)	Dermot Pearson	23/11/18
Assistant Director of Human Resources (if appropriate)	N/A	N/A
Head of Procurement (if appropriate)	N/A	N/A

Report Author: Rob Cutts, Service & Development Manager - Revenues, Benefits & Payments

This report is published on the Council's website or can be found at:-
<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=>