

Cheltenham Borough Council
Cabinet 04 December 2018
Council 10 December 2018
Council Tax Premium on Empty Properties

Accountable member	Councillor Rowena Hay
Accountable officer	Jayne Gilpin, Head of Revenues and Benefits
Ward(s) affected	All
Key/Significant Decision	Yes
Executive summary	<p>Since 2013 Councils have been able to use their discretion to charge an additional 50% council tax, a premium, to long term empty properties which have been unoccupied and unfurnished for more than 2 years. This Council applied the 50% premium from 1st April 2018. New legislation has been introduced increasing the premium to 100% from April 2019 then further incremental changes once properties have been empty for 5 and 10 years. This report proposes increasing the premium in line with the new legislation.</p>
Recommendations	<p>Cabinet recommends that Council</p> <ul style="list-style-type: none"> a) Increases the Council Tax Empty Homes Premium to 100% from 1st April 2019 in respect of properties which have been unoccupied and unfurnished for more than 2 years b) From April 2020 increase the Premium for those properties which have been empty for 5 years or more to 200% c) From April 2021 increase the Premium for those properties which have been empty for 10 years or more to 300%

Financial implications	<p>Point 3.8 shows the potential additional council tax that could be raised as a result of the proposals in this report.</p> <p>However, it should be noted that the actual council tax collected may be lower than the figures stated as owners of empty properties may bring them back in to use more quickly.</p> <p>These changes will also impact on the Housing Revenue Account as they will apply to council owned empty properties managed by Cheltenham Borough Homes.</p> <p>Contact officer: Paul Jones, Executive Director, Finance and Assets paul.jones@cheltenham.gov.uk, 01242 775154</p>
Legal implications	<p>Section 11b Local Government Finance Act 1992 (as amended) allows the Council to charge a council tax premium. Section 67(2) of that Act provides that the power to decide to introduce a premium can only be exercised by full Council.</p> <p>The Rating (Property in Common occupation) and Council Tax (Empty Dwellings) Act 2018 provides for the premium to be increased as detailed in 2.1 of the report</p> <p>Contact officer: peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>None</p> <p>Contact officer: , @cheltenham.gov.uk, 01242</p>
Key risks	See Appendix 1
Corporate and community plan Implications	The proposal to increase the council tax premium will support the Council's priority to reduce the number of empty properties
Environmental and climate change implications	
Property/Asset Implications	<p>These changes will apply to any council owned empty properties</p> <p>Contact officer: dominic.stead@cheltenham.gov.uk</p>

1. Background

- 1.1** The Local Government Finance Acts of 2003 and 2012 introduced some amendments to the Local Government Finance Act 1992, giving discretionary powers for councils to set the level of council tax discount on empty properties.
- 1.2** Appendix 2 shows how the council has used its discretionary powers to set discount levels in respect of empty properties and second homes. It also shows the current and proposed premium levels.
- 1.3** At a full Council meeting on 11 December 2017 this Council decided to charge the 50% empty homes premium in respect of properties which have been empty and unfurnished for more than 2 years from April 2018.
- 1.4** Unoccupied and unfurnished properties are awarded a 25% discount for the first 6 months, followed by the full 100% liability once the 6 months has expired.
- 1.5** The premium becomes due once a property has been unoccupied and unfurnished for 2 years
- 1.6** The empty property classification starts when the property becomes unoccupied and unfurnished. It does not start again as a result of a change in owner or tenant.
- 1.7** If a property becomes occupied or furnished this must be for a period of at least 6 weeks before it can be treated unoccupied and unfurnished again.
- 1.8** New legislation has now come in to force extending discretionary powers to increase the level of premium from April 2019.
- 1.9** The decisions made so far support the council's strategy to bring empty homes back in to use more quickly and generate additional council tax income.

2. The Empty Homes Premium from April 2019

- 2.1** The Rating (Property in Common occupation) and Council Tax (Empty Dwellings) Act 2018 provides for the premium to be increased from 1st April 2019 as follows
 - From 1st April 2019 - 100% premium, 200% council tax liability, for properties which have been empty for 2 years or more
 - From 1 April 2020 - 200% premium, 300% council tax liability, for those properties which have been empty for 5 years or more
 - From 1 April 2021 300% premium, 400% council tax liability, for those properties which have been empty for 10 or more
- 2.2** Approval is being sought to increase the empty homes premium as detailed in 2.1 above and appendix 2 with effect from 1st April 2019.

3. Reasons for recommendations

- 3.1** In October 2018, 119 properties in Cheltenham have been empty for more than 2 years and are subject to the premium. In October 2017 the number of properties which had been empty for more than 2 years was 80.

- 3.2** Although the number has increased in Cheltenham over the past year the Government has reported that nationally, where Councils have been charging the premium consistently year on year, there has been a significant reduction in the number of homes being charged the premium.
- 3.3** The Government has introduced the changes as part of a number of measures to improve the housing market. It will increase council tax bill and incentivise owners to bring long-standing empty homes back into use.
- 3.4** Empty properties are reviewed regularly by the Revenues and Benefits Section and the Empty Homes Team.
- 3.5** A certain level of empty homes is inevitable and is a feature of a healthy housing market. However properties which have been empty and unfurnished for 2 years or more are often subject to deterioration that can affect the fabric of the property, can cause damage to neighbouring homes and can attract other anti-social problems to the area.
- 3.6** With increased pressure to find housing for people in need the Council wants to encourage homeowners to bring long term empty homes into use to the benefit of all residents. Increasing the empty homes premium to the maximum allowed will send a clear message to owners that it is not acceptable to keep properties empty for long periods, often creating a local nuisance and wasting housing resource.
- 3.7** There are a number of enforcement options available to the Council to make owners bring empty homes back into use, for example, Empty Dwelling Management Orders and Compulsory Purchase Orders. Using these enforcement powers will be considered in individual cases, based on the circumstances.
- 3.8** Based on the 119 properties and the council tax level for 2018/19 increasing the premium to 100% in 2019/20 would increase council tax income by approximately £12,000 for this Council, £73,000 for Gloucestershire County Council and £13,000 for the Police .
- 3.9** The Government has prescribed two classes of dwellings which are exempt from the premium. These are:
- a dwelling which would otherwise be the sole or main residence of a member of the armed services, who is absent from the property as a result of such service;
 - a dwelling, which forms part of a single property (an annexe) that is being treated by a resident of that property as part of the main dwelling

Information held indicates that none of the properties due to be subject to the premium fall in to either of these categories

4. Alternative options considered

- 4.1** The alternative would be to leave the empty Homes Premium at 50%. This does not provide any further incentive for property owners to bring properties back in to use

5. Consultation and feedback

- 5.1** There is no statutory requirement to consult on these proposals. The Empty Homes Team welcome additional measures to support bringing empty properties back in to use.
- 5.2** There is a legal requirement for the Council to publish any decision using these powers in a local newspaper within 21 days of the decision.

- 5.3** If Council approves the recommendation the Council Tax team will contact all council tax payers likely to be subject to the premium from April 2019 to advise them of the change. This will be done before the end of January.

6. Performance management –monitoring and review

- 6.1** The impact of these changes will be monitored closely.
- 6.2** The empty property discount classes and the premium will be reviewed annually and further changes will be considered as appropriate.

Report author	Contact officer: Jayne Gilpin, Jayne.gilpin@cheltenham.gov.uk, 01242 264323
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Council Tax discounts on empty properties
Background information	<ol style="list-style-type: none"> 1. The Local Government Finance Act 1992 http://www.legislation.gov.uk/ukpga/1992/14/contents 2. The Local Government Act 2003 http://www.legislation.gov.uk/ukpga/2003/26/contents 3. The Local Government Finance Act 2012 http://www.legislation.gov.uk/ukpga/2012/17/contents 4. The Council Tax (Prescribed Class of Dwellings (England) Regulations 2003 http://www.legislation.gov.uk/uksi/2003/3011/contents/made 5. The Council Tax (Prescribed Class of Dwellings (England) Regulations 2012 http://www.legislation.gov.uk/uksi/2012/2964/contents/made 6. The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 http://www.legislation.gov.uk/uksi/2012/2965/contents/made 7. Report to council 11/12/2017 – Council Tax Premium on Empty Properties https://democracy.cheltenham.gov.uk/ieListDocuments.aspx?CId=143&MId=2706&Ver=4 8. The Rating (Property in Common occupation) and Council Tax (Empty Dwellings) Act 2018 http://www.legislation.gov.uk/ukpga/2018/25/contents/enacted

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If it becomes difficult to collect the higher council tax or owners use tactics to avoid the premium then the estimated additional income may not be fully realised	Jayne Gilpin	04/12/2018	1	3	3	Accept	Monitor and review		Jayne Gilpin	
	If owners continue to leave properties empty the number of long term empty properties will not reduce	Jayne Gilpin	04/12/2018	2	3	6	Accept	Monitor and consider enforcement action in individual cases		Jayne Gilpin	
Explanatory notes Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) Control - Either: Reduce / Accept / Transfer to 3rd party / Close											