

<b>Subject:</b>	Empty Property Council Tax Premiums	<b>Status:</b>	For Publication
<b>Report to:</b>	Cabinet	<b>Date:</b>	7 <sup>th</sup> October 2020
<b>Report of:</b>	Director of Economic Development	<b>Portfolio Holder:</b>	Communities
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	<b>No</b>	Attached: <b>No</b>
<b>Biodiversity Impact Assessment</b>	Required:	<b>No</b>	Attached: <b>No</b>
<b>Contact Officer:</b>	Mick Coogan	<b>Telephone:</b>	01706 252507
<b>Email:</b>	michaelcoogan@rossendalebc.gov.uk		

<b>1.</b>	<b>RECOMMENDATION</b>
1.1	Increase the premium on empty dwellings to the maximum amount permitted from 1 <sup>st</sup> April 2021, with 100%, 200% and 300% premiums for properties empty for 2, 5 and 10 years respectively.

## 2. PURPOSE OF REPORT

2.1 To examine the Council's options for changing premiums on empty homes, with powers available to increase them being phased in from 2019 to 2021. Also to estimate the impact of the changes to the Council, particularly financially, within the parameters of stated assumptions.

## 3. BACKGROUND

3.1 Since the localisation of Council Tax in 2013 Rossendale has had some flexibility over Council Tax discounts for 2nd homes and Empty homes which it introduced in 2014 and has not changed since. The introduction of new premiums possible for longer term empty properties has however raised the issue again.

### 3.2 Second Homes

Traditionally Second Homes received a 50% discount on the relevant Council Tax rate for that property, however localisation in 2013 meant the Council could charge up to 100% if the home is substantially furnished and counted as a second home. The Council has applied the 100% rate in second homes since April 2014. There is also a discount of 50% for people who are forced to move due to employment, however that is not a local decision.

### 3.3 Properties Empty for up to 6 Months

Currently Rossendale give 100% discount for the first month a home is empty and then a 50% discount for the next 5 months. This discount applied by the Council is one of the most generous in Lancashire.

### 3.4 Properties Empty 6-24 Months

Rossendale offers no discount for properties empty from 6 to 24 months, which is in line with most other local authorities.

### 3.5 Major Repairs

Rossendale currently gives a discount of up to 12 months of 50% if major repairs, such as structural alterations are needed to a property. This policy is similar to most other local authorities.

### 3.6 Premiums

After the localisation of Council Tax, Rossendale introduced the maximum premium of 50% on properties empty for more than 2 years, and there is currently around 175 of these. From April 2019 the premium could rise to 100% if the Council wished, but this wasn't implemented. From April 2020 the premium on properties empty for over 5 years could rise to 200% and from April 2021 the premium on a property empty for 10 years plus can rise to 300%. As the premiums are on top of the full rate the table below demonstrates the current situation and what could be applied from April 2021.

	1 Month	1 to 6 Months	6 to 24 Months	24 Months+	5 Years +	10 Years +
1 <sup>st</sup> April 2020	0%	50%	100%	150%	150%	150%
1 <sup>st</sup> April 2021	0%	50%	100%	200%	300%	400%

3.7 There are over 32,000 homes in Rossendale and raising the premiums would affect around 175 or 0.5%. The number of properties subject to the premium can change on a daily basis, however the Council Tax Base information from late 2019 illustrates the types of numbers we have in each category below.

	Number of Properties Affected
Empty 2 to 5 years	134
Empty 5 to 10 years	21
Empty 10 years plus	20
<b>Total</b>	<b>175</b>

3.8 The raising of the premiums would be a disincentive rather than a way of raising revenue, as when properties return to use they may be paying less Council Tax, as over a third have the single occupancy discount then a 150% property on average becomes a 90% property. When raising premiums, it is normal to give exemptions to the premium if certain conditions are met. If an exemption is granted it would mean that the owner/liable party would pay 100% of the Council Tax rather than 200 to 400%. It is proposed that the following exemptions should be included or at least considered for a policy:

- Where there is a genuine attempt to sell or let the property
- Where there is a new owner, the property needs major repairs, and the major repairs discount has already been applied to the property.
- Where there are exceptional legal or technical issues which prevent the owner selling or letting the property
- Where the property has remained empty for over two years due to exceptional circumstances beyond control of the owner or liable party.
- Where the owner or liable party would face genuine financial hardship if the premium was applied

### 3.9 Income Implications of the Premiums

3.10 The aim of the additional premiums is to change behaviour rather than increase income for

the Council, and it isn't possible to accurately predict how Council Tax income will be affected by the introduction of the higher premiums, however it is possible to model scenarios given assumptions, such as properties returning back into use, exemptions under a new policy and the liable party not paying. It is likely that there will be around £100k generated a year extra through the premiums, of which the Council will keep around £15k.

### 3.11 Resources and Consultation

A consultation exercise will be needed to implement the proposed changes, especially to investigate any unexpected consequences of proposed changes. The survey will be conducted from mid-October 2020 and be publicised through the Council's digital channels and a press release. If implemented administering the exemption policy will need to be resourced. There is a cost of an extra module for the current software to allow changes to be made which will be £625 in the first year and £125 in subsequent years.

### 3.12 Returning Empty Homes Back into Use

Empty dwellings are a wasted resource and it is a priority of the Council to encourage them to be returned into use, and the proposed change to Council Tax premiums supports this priority. In recent years the Council has principally applied a casework approach to return empty homes into occupation, enabling owners by way of assisted sales and linking them up with developers and other potential buyers. Whilst there are various enforcement options available, for example enforced sale, for which a policy was adopted in 2018, a more encouraging and assisting approach is preferred.

## 4. RISKS

- 4.1 If the change in premiums means that 43% or more long term voids are brought back into use then the Council would be in danger of losing income, however this is very unlikely and would be an excellent result for regeneration aims.
- 4.2 There are reputational implications introducing increased premiums shortly after or during the COVID-19 crisis, although these would never be popular with owners of long term empty homes at any time.
- 4.3 There is a risk of judicial review especially if the consultation is not robust enough.

## 5. FINANCE

- 5.1 There is the potential for the Council to generate additional income through the increased Council Tax premiums, however the main aim of the policy is to bring empty homes back into use.

There will be a one off small cost to the Council for the software update required to implement the proposed changes of c£500 as a one off payment and £125 pa support and maintenance.

## 6. LEGAL

- 6.1 Legislation gives the Council power to set a premium for long term empty dwellings and to reduce the amount of council tax payable as it thinks fit. When undertaking the consultation exercise, the Council must give meaningful consideration to the responses received to mitigate against the risk of challenge from affected parties.

## 7. POLICY AND EQUALITIES IMPLICATIONS

- 7.1 Any changes in the fees will comply with the relevant regulations and primary legislation,

as amended, relating to Council Tax and Council Tax Reduction Schemes.

There are no equalities implications.

**8. CONCLUSION**

8.1 It is anticipated that introducing the higher Council Tax premiums in April 2021 will lead to a behaviour change in a large minority of landlords or liable parties with more homes returning to use, increasing housing supply and the offer overall, as well as the economy in the borough. There will be a small amount of addition income for the Council which will be tempered by increased administration burdens.

No background papers