

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF RESOURCES

TO:	POLICY COMMITTEE		
DATE:	14 JANUARY 2019	AGENDA ITEM:	9
TITLE:	LONG TERM EMPTY PREMIUM - COUNCIL TAX		
LEAD COUNCILLOR:	COUNCILLOR BROCK	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	REVENUES & BENEFITS	WARDS:	BOROUGHWIDE
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. Since 2013 Local Authorities have had discretion to vary the amount of Council Tax charged on long term empty properties, under the Local Government Finance Act 2012 (S11-13). The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 now allows Local Authorities to increase the Premium charged on long term empty properties. The purpose of this report is to consider the amount of premium the Committee wish to charge going forward on long term empty properties.

2. RECOMMENDED ACTION

- 2.1 The Policy Committee is recommended to increase the premium on long term empty properties as follows:
- 100% premium from 1 April 2019 for those properties which are empty for 2 years and over;
 - 200% premium from 1 April 2020 for those properties which are empty for 5 years and over;
 - 300% premium from 1 April 2021 for those properties which are empty for 10 years and over.

3. POLICY CONTEXT

- 3.1. Full Council approved the charging mechanism for empty homes from 1st April 2013. The Council currently charges long term empty dwellings at the previous maximum rate of an additional 50% after having been empty for 2 years. The Premium aims to assist Local Authorities in the implementation of local Empty Homes Strategies. It was designed to persuade owners of registered long term empty homes to take steps to bring those homes back into use. Only two Billing Authorities in England have declined to apply a Premium.

3.2. The new regulation allows local discretion to increase the Premium charge in stages as follows:

- From April 2019 the Premium charge can be increased to an extra 100% of the occupied Council Tax
- From 1st April 2020 for properties empty between 5 & 10 years the Premium can be increased to 200%.
- From April 2021 properties empty for more than 10 years the Premium can be increased to 300% of the occupied Council Tax.

There are however certain exemptions to this premium being applied. These include premises owned by members of the armed forces, annexes and properties that are genuinely on the market for sale or let

4. THE PROPOSAL

4.1. We are proposing that we implement these changes to our empty long term premiums as the intention of the discretionary power is to help local authorities increase the volume of their local housing stock by incentivising property owners to bring long term empty homes back into use to provide safe, secure and affordable homes. This will support local communities by increasing the supply of affordable housing available in the borough.

4.2. A certain level of empty homes is inevitable due to housing market churn; however, long term empty properties are more likely to deteriorate and may result in associated anti-social behaviour in an area.

4.3. We are conscious that there are a variety of reasons why properties remain empty, but it is important to try and encourage homeowners to bring empty properties back into use particularly with the current pressure on finding housing for residents.

4.4. There are currently 115 properties which have been unoccupied and unfurnished for more than two years within the borough and therefore are already subject to an Empty Homes Premium.

4.5. Since the Premium was introduced, the proportion of all homes registered as 'Long Term Empty' that are paying the Premium has increased because of Regulatory Services successes in bringing the less problematic non-Premium LTEs back into use. To give an indication of the circumstances surrounding the Premium-paying properties, the Empty Homes Officer reports these characteristics:- 11% are flats above shops or are tied to vacant commercial premises; 9% remain empty after the grant of Probate following the death of the occupier; 4% have live Planning Consent; 9% are allegedly on the market; 26% are undergoing renovation or conversion; 4% are dated residential mobile homes awaiting replacement; 8% are age-restricted occupation or retirement leaseholds.

4.6. Bringing a home that is subject to the Premium back into use reduces the liability and potential receipt of that property. However, the Council receives

a New Homes Bonus reward for bringing a Premium-rated empty home back into use. The future of the New Homes Bonus scheme is not yet known.

5. OPTIONS PROPOSED

5.1. It is recommended that the Council increases its empty premium in line with new legislation as follows:

- 100% premium from 1 April 2019 for those properties which are empty for 2 years and
- 200% premium from 1 April 2020 for those properties which are empty for 5 years and
- 300% premium from 1 April 2021 for those properties which are empty for 10 years and over

5.2. OTHER OPTIONS CONSIDERED

- Stop the Premium charge
- Leave the Premium charge at the existing level (50%)

6. CONTRIBUTION TO STRATEGIC AIMS

The proposal meets the Corporate Plan priority of ensuring access to decent housing to meet local needs. In addition it has the potential to improve Community Safety and will facilitate delivery of the Council's Empty Homes Strategy 2014-2019.

7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1. There is no statutory requirement to consult. Those impacted by any changes to the charges of Empty and Unfurnished dwellings are not a fixed group of residents and those liable for any charges can vary. Once the decision is made, those council taxpayers affected will be informed.

8. EQUALITY IMPACT ASSESSMENT

8.1. This was carried out as part of the national legislative process and there are no key groups affected beyond those identified in that analysis

9. LEGAL IMPLICATIONS

9.1. These are set out in the body of the report.

10. FINANCIAL IMPLICATIONS

10.1. There are currently 115 properties in the borough that have been empty for over 2 years. The current premium generates an additional income for the authority above the standard Council Tax charge of £82,423.

10.2. Increasing the premiums in line with the maximum amounts set out in the legislations could generate additional income of:

RBC share

2019/20	£82,423
2020/21	£128,420
2021/22	£141,058

10.3. The above forecasts are subject to the number of empty properties remaining the same and would reduce if the proposed implementation of the increased premium has the desired effect of reducing the number of long term empty properties. The figures exclude any allowance for non-collection (assumed to be 1% in the tax base calculation). The table overleaf summarises the annual additional income attributable to the Council (excluding preceptor elements):

	2 to 5 years	5 to 10 years	10 years plus
2018/19:	83 properties	22 properties	10 properties
Premium	50% premium	50% premium	50% premium
Total Income	£59,425	£16,678	£6,320
2019/20:	83 properties	22 properties	10 properties
Premium	100% premium	100% premium	100% premium
Total Additional Income	£59,425	£16,678	£6,320
2020/21:	83 properties	22 properties	10 properties
Premium	100% premium	200% premium	200% premium
Total Additional Income	£59,425	£50,033	£18,960
2021/22:	83 Properties	22 properties	10 properties
Premium	100% premium	200% premium	300% premium
Total additional Income	£59,425	£50,033	£31,560

11. BACKGROUND PAPERS

11.1. (The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018)

12. Risk Assessment

- 12.1. There is a risk that raising additional charges on empty properties could lead to an increase in tax avoidance tactics. This could include the creation of fictitious tenancies, increased claims for single person discount and claims for exemption from premium payments. Steps will be taken to mitigate the risks identified through increased property controls, monitoring and on-site inspections.
- 12.2. The Premium can be seen to increase potential receipt and since its inception has prompted some owners of very long-term empty homes to act. However, there are instances where the imposition of the Premium has made some reluctant charge-payers even more determined not to pay their arrears. The Premium can also trigger appeals by charge payers against the imposition of the additional charge. The administration of appeals and of debt recovery arising from the Premium places a demand on staff time
- 12.3. In addition we are aware that some long term empty properties have been empty for a number of years as the owners have mental health or capacity issues, we already have a well-established process in place for dealing with these individual cases through our empty homes officer. This would continue.