



Northumberland

County Council

CABINET

8 OCTOBER 2019

COUNCIL TAX EMPTY HOMES PREMIUMS

Report of Neil Bradley, Service Director - Strategic Commissioning and Finance

Cabinet Member: Councillor Nicholas Oliver – Portfolio Holder for Corporate Services

Purpose of report

The purpose of this report is to seek approval to amend the Council Tax Discount Policy to include introducing additional empty homes premiums (EHP) for council tax for properties that are unoccupied and substantially unfurnished to take effect from 1 April 2020 and 1 April 2021.

Recommendations

Cabinet recommends that County Council approves the Council Tax Discount Policy attached at Appendix 1 that introduces the following:

- **An increase in the current 50% EHP to 100% for property unoccupied and substantially unfurnished for two years or more, but less than 5 years, with effect from 1 April 2020**
- **A 200% EHP for property unoccupied and substantially unfurnished for 5 years or more from 1 April 2020.**
- **A 300% EHP for property unoccupied and substantially unfurnished for over 10 years with effect from 1 April 2021.**

Link to Corporate Plan

This report is relevant to the 'we want you to feel Safe, Healthy and Cared for' [LIVING] priority in the Corporate Plan 2018-2021 by ensuring action is taken to encourage owners of empty properties to bring them back into use.

Key issues

1. A 50% EHP has been applied to a property has been continuously unoccupied and substantially unfurnished for a period of at least two years since 1 April 2013. The premium is in addition to the 100% council tax liability.

2. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 received Royal Assent on 1 November 2018. The Act gave local authorities discretionary powers to:
 - From 1 April 2019 - increase the EHP to a maximum of 100% for dwellings that have been unoccupied and unfurnished for two years or more.
 - From 1 April 2020 - increase the EHP to a maximum of 200% for dwellings that have been unoccupied and unfurnished for five years or more.
 - From 1 April 2021 - increase the EHP to a maximum of 300% for dwellings that have been unoccupied and unfurnished for ten years or more.
3. The council tax data base shows that there are currently 673 dwellings have been currently unoccupied and unfurnished for two years or more, of which:
 - 416 dwellings unoccupied and unfurnished for between two and five years.
 - 152 dwellings unoccupied and unfurnished for between five and ten years.
 - 105 dwellings unoccupied and unfurnished for ten years or more.
4. For the EHP to apply the property must be substantially unfurnished. Properties that are furnished are classed as second home for council tax purposes and not subject to an EHP. Council tax liability for second homes is 100% of the relevant band which is the maximum allowed by the current legislation.
5. The EHP is taken into consideration in the calculation of the tax base for council tax purposes. The effect of the EHP is to increase the tax base.
6. Based on the current council tax database and 2019-20 council tax charges an additional £761k could be raised in council tax in the 2020-21 financial year with a further £136k in 2021-21.
7. Any person who believes that the EHP is causing them financial hardship will be able to make an application for relief by way of a local discretionary discount under Section 13a (1)(c) of the Local Government Finance Act 1992. Each case is considered on its own merits.
8. Charging EHPs supports the delivery of the Housing Strategy for Northumberland 2019-22 and may incentivise owners and landlords to bring long term empty properties back into use.
9. A Council determination is required before an EHP can be charged. The determination can only have effect for any financial year.
10. A public notice is required to be issued in a local newspaper within 21 days of the determination being made.

Background

11. The Council has had the power to increase council tax on properties that have been unoccupied and substantially unfurnished since 1 April 2013 by way of an EHP. The premium is in addition to the 100% council tax liability.
12. The EHP can be charged where a property has been continuously unoccupied and substantially unfurnished for a period of at least two years.

13. A period of occupation of over six weeks qualifies as a break in the unoccupied period and the two year time period would start again when the property next becomes unoccupied and substantially unfurnished..
14. Liability for the EHP is determined by the length of time that the property has been unoccupied and substantially unfurnished.
15. The Government published guidance in May 2013 which stated that 'the government's intention behind the decision to provide billing authorities with powers to charge a EHP was not to penalise owners of property that are genuinely on the housing market and up for sale or rent.
16. In the November 2017 Budget the Government announced their intention to legislate to bring the maximum council tax charge for long term empty homes in England up to 200%.
17. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 received Royal Assent on 1 November 2018. The Act went further than the Budget announcement and gave local authorities discretionary powers to:
 - From 1 April 2019 - increase the EHP to a maximum of 100% for dwellings that have been unoccupied and unfurnished for two years or more.
 - From 1 April 2020 - increase the EHP to a maximum of 200% for dwellings that have been unoccupied and unfurnished for five years or more.
 - From 1 April 2021 - increase the EHP to a maximum of 300% for dwellings that have been unoccupied and unfurnished for ten years or more.
18. The Council has the discretion over whether or not to adopt the powers and implement policy changes locally. The powers can only have effect from the beginning of a financial year.

Current Policy

19. From 1 April 2013 the Council has charged a 50% EHP on all unoccupied and substantially unfurnished property that have remained that way for 2 years or more. The Policy decision was taken as part of the budget considerations by County Council on 27 February 2013.

Current position

20. The number of unoccupied and substantially unfurnished properties on the Council's council tax database that have been that way for two years or more and are subject to the current 50% EHP is 673 which are broken down per council tax band as follows:

Council Tax Band	Number of properties
Band A	417
Band B	101
Band C	71
Band D	28
Band E	24
Band F	21
Band F	4
Band G	7
TOTAL	673

21. Of the 673 properties above:
- 416 properties have been unoccupied and substantially unfurnished for between 2 and 5 years
 - 152 properties have been unoccupied and substantially unfurnished for more than 5 years
 - 105 properties have been unoccupied and substantially unfurnished for more than 5 years
22. The current value of the EHP charged in the 2019-20 financial year is £0.502 million. The net liability in 2019-20 is £1.543 million.
23. The in year council tax collection rate at 31 August 2019 for EHP was 47.1% compared with 46.9% for all classes of property.
24. The outturn collection rate for EHP cases 2018-19 financial year was 91.6% compared with 98.1% for all classes of property.

Effects

25. Implementation of a 100% EHP to replace the existing 50% EHP for property empty for more than 2 years but less than 5 years from 1 April 2020 would mean an additional 264 Band D equivalents in the tax base, and an increase in debit of £448k based on 2019-20 council tax charges.
26. In addition, implementation of a 200% EHP from 1 April 2020 for properties unoccupied and substantially unfurnished for more than 5 years would mean an additional 448.7 Band D equivalents in the tax base, and an increase in debit of £761k based on 2019-20 council tax charges.
27. A further implementation of a 300% EHP for properties unoccupied and substantially unfurnished for more than 10 years from 1 April 2020 would mean an additional 529 Band D equivalents in the tax base, and an increase in debit of £897k based on 2019-20 council tax charges.
28. The current average Band D charge for all precepts in Northumberland is £1,915.43. The current 50% EHP increases the current average Band D to £2,873.15:
- A 100% EHP would increase the average Band D charge for all precepts to £3,830.86

- A 200% EHP would increase the average Band D charge for all precepts to £5,746.29
- A 300% EHP would increase the average Band D charge for all precepts to £7,661.72

Implications

Policy	The Council Tax Discount policy sets out the level of discounts and circumstances where the Council has discretion for locally determined discounts and includes matters pertaining to the EHP currently in force. The updated Policy is attached at Appendix 1 to the report.
Finance and value for money	<p>Implementing the additional premiums will have a beneficial effect on the Council's Tax Base calculation as it will increase the number of Band D equivalent properties which gives the Council greater taxable capacity.</p> <p>In addition, the EHPs will increase the council tax charges for the properties affected by the proposal. Based on the current numbers of properties and levels of council tax there is a potential increase in council tax debit of £897k as a result of this proposal.</p>
Legal	<p>The Local Government Finance Act 2012 amended the 1992 Local Government Finance Act and gave Councils the power to increase council tax on properties that have been 'unoccupied and substantially unfurnished' for a period of two years or more by a maximum of 50%.</p> <p>The Local Authorities (Calculation of Council Tax Base)(England) Regulations 2012 set out the requirements for the Tax Base Calculations which include the Council's policy in terms of locally determined council tax discounts.</p> <p>The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 included provision to increase the premium for properties that have been 'unoccupied and substantially unfurnished' for more than two years to 100% from 1 April 2019, and also incorporated the power to charge a higher premium of 200% for properties that have been unoccupied and substantially unfurnished for more than two years and less than five years from April 2020, and, 300% for those 'unoccupied and substantially unfurnished' for more than ten years from 1 April 2021.</p>
Procurement	No implications
Human Resources	No implications
Property	No implications
Equalities (Impact Assessment)	We are not aware of reasons why the owners of empty properties will be disproportionately affected because of the following protected characteristics: disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. This is

attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	because these groups are not, as far as we are aware, disproportionately represented as owners of empty properties in Northumberland. There is a potential impact on older people who move into a residential care setting but still own the property they lived in. We do not hold detailed information about these properties, however we estimate that there are around 60 at any given time of which we estimate between 20-24 properties would attract this increased council tax charge so we do not believe there is a disproportionate impact because of age.
Risk Assessment	The figures included in the report are based on the circumstances with properties as they currently exist and they may change prior to 1 April 2020 and 1 April 2021. Council Tax collection rates for properties subject to the existing EHP are lower than the overall collection rate for all properties. An EHP cannot be charged where a property becomes substantially furnished.
Crime Disorder &	No implications
Customer Consideration	In advance of the EHPs coming onto force with the annual council tax bills for 2020-21 an exercise would be arranged with the Communications Team to raise awareness and publicise the changes. The exercise would also be done in conjunction with via the Housing Team.
Carbon reduction	No implications
Wards	Properties in all wards are potentially affected by this proposal

Background papers:

Local Government Finance Act 1992

Local Government Finance Act 2012

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

Council Tax Discount Policy

County Council Report - 27 February 2013

County Council minutes – 27 February 2013

Report sign off.

	Full Name of Officer
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