

WAVERLEY BOROUGH COUNCIL

VALUE FOR MONEY & CUSTOMER SERVICE OVERVIEW & SCRUTINY COMMITTEE

22 JANUARY 2019

EXECUTIVE - 5 FEBRUARY 2019

Title:

COUNCIL TAX EMPTY HOMES DISCOUNT AND EMPTY HOMES PREMIUM

[Portfolio Holder: Cllr Ged Hall]

[Wards Affected: All]

Summary and purpose:

To consider proposed changes to Waverley's Council Tax empty homes discount and empty homes premium.

How this report relates to the Council's Corporate Priorities:

This report relates to the Council's People / Place / Prosperity priorities as it concerns the management of the council's council tax revenue to maximise income and to encourage empty homes to be brought back into use

Equality and Diversity Implications:

There are no equality and diversity implications that can be specifically identified relating to this report however it must be noted that in cases of hardship and other special circumstances, council tax support, hardship relief or empty property exemptions may be available.

Financial Implications:

The council tax flexibilities create an opportunity to generate additional council tax revenue for Waverley, Surrey County Council, the Town and Parish councils and the Police.

Legal Implications:

There are no direct legal implications associated with this report. The relevant statutory changes are set out in the body of the report.

Background

1. The Local Government Finance Act 2012 gave councils local discretion over Council Tax discretion in a number of areas. The statutory prescribed empty home exemption was revoked and from 1 April 2013 "Unoccupied and substantially unfurnished" properties were able to attract a discretionary discount of between 0% and 100% of their council tax. From 1 April 2013, local authorities were also able to set an "empty homes premium" of up to an extra 50% of the normal liability for long-term empty properties i.e. properties which have been unoccupied and substantially unfurnished for over two years.

2. In December 2012 the decision of the Council was to:
 - set a new empty home discount at 50% for the initial 6 month period beginning from 2013/14, and
 - introduce an empty homes premium of an extra 50% for homes that are empty for more than 2 years (being the maximum allowable at the time).
3. In the November 2017 Budget, the Chancellor announced the Government's intention to legislate to bring the maximum empty home premium to an extra 100% of the normal liability.
4. This legislation has been enacted and, within this, the Act included additional provisions covering properties that have been empty for very long periods.
5. This report looks at withdrawing the 50%, 6 month empty home discount altogether from 1 April 2019 and raising the empty home premium to 100% from 1 April 2019 and subsequent additional rates commencing in April 2020 and April 2021 as allowed for under the legislation.

Empty and substantially unfurnished property council tax discount

6. In December 2012 the Council approved the application of a 50% council tax discount in respect of unoccupied and substantially unfurnished properties for the first six months.
7. It has recently been noted that other Surrey authorities are reviewing their policies with a number of them proposing to remove the discount. The current discounts given are shown here:

	Unoccupied and substantially unfurnished council tax discount
Elmbridge	100% for 1 month
Epsom	100% for 1 month
Guildford	100% for 1 month
Surrey Heath	100% for 28 days
Woking	100% for 28 days
Spelthorne	100% for 1 month
Mole Valley	100% for 28 days
Runnymede	100% for 3 months
Reigate	100% for 28 days
Tandridge	100% for 28 days
Waverley	50% for 6 months

8. A benchmarking exercise conducted by Elmbridge Borough Council has shown that the majority of councils in the following neighbouring Counties give no discount at all:
 - Kent
 - West Sussex
 - East Sussex
 - Hampshire
 - Essex
 - Buckinghamshire

- Greater London Authority

9. One further administrative consideration is that the processing of the current discount is time consuming; its withdrawal would also therefore ease this burden.
10. It is recommended that the previously determined 6-month 50% “unoccupied and substantially unfurnished” discount be removed from 1 April 2019 by varying the determination to a 0% discount from the date the property becomes unoccupied and substantially unfurnished. The 1 April 2019 determination will enable enough time for effective communication and changes to systems and processes.
11. The 6-month discount is currently being given to 578 properties. The removal of this discount will generate a potential increase in council tax income of £54,000 for Waverley (£430,000 to Surrey County Council, £72,000 to Surrey Police) whilst also encouraging owners of empty homes to bring them back into use.

Council Tax Premium for long-term empty and unfurnished properties

12. On 20 February 2018, Council approved the increase to Waverley’s empty homes premium to 100% “at the earliest opportunity once the Government has published the necessary regulations and given authority.”
13. On 1st November 2018 the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 was given Royal Assent.
14. It is therefore for information here to report that the Council will increase the council tax premium on long term “empty and unfurnished properties” from 50% to 100% beginning 1st April 2019.
15. The current council tax premium is currently paid by 148 properties. The proposed change to the premium may result in an increase in revenue to Waverley Borough Council of up to £14,000 (Surrey County Council of up to £114,000 and Surrey Police of up to £19,000) if homes remain empty and substantially unfurnished and/or may encourage empty homes to be brought back into use.
16. The additional provisions to the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 covered properties that were empty for very long periods. The amendment provided for maximum additional rates of:
 - 200% extra (for properties empty for 5-10 years) (commencing in April 2020), and
 - 300% extra (for properties empty for 10+ years) (commencing in April 2021).

In other words, council tax-payers can be required to pay 200% of the standard bill after two years, 300% of the standard bill after 5 years and 400% after ten years.

17. It is proposed that the maximum council tax premium be applied at the above respective commencement dates with the proviso (included in guidance for local authorities in England, published in May 2013) that if the reason a property is empty and unfurnished is that it is available for rent or sale, that these properties be excluded from the determination, subject to satisfactory evidence being provided.

Cases of Hardship and Empty Homes exemptions

18. In cases of hardship or vulnerability a council tax payer can apply for discretionary relief from Waverley's Council Tax discretionary relief scheme (under section 13A(1)(c)). Households on low income can also apply for a council tax reduction under Waverley's Council Tax Support Scheme. There are other special situations also where a person may not need to pay Council Tax if a property is empty; one such situation is for up to six months after someone has died and if probate or letters of administration are pending.

Conclusion

19. Abolishing the discretionary 50% 6-month Council Tax discount for "empty and substantially unfurnished properties" from 1 April 2019 will generate additional income for Waverley, and encourage empty homes to be brought back into use in the Borough.
20. Increasing the Council Tax premium on long term "empty and unfurnished properties" from 50% to 100% extra beginning 1 April 2019 implements the 20 February 2018 Council direction.
21. Further increasing the Council Tax premium for subsequent years according to the commencement dates in paragraph 17 will also increase council tax revenue and encourage long term empty homes to be brought back into use.

Observations from Value for Money & Customer Services Overview & Scrutiny Committee

22. The VfM and Customer Service O&S Committee considered this report at its meeting on 22 January 2019 and made the following observations.
 - Having considered the benchmarking information contained within the report, the Committee agreed that Waverley's current position was overly generous and the discount period should be reduced.
 - The Portfolio Holder for Housing was in attendance at the meeting and highlighted that landlords had a legal requirement to carry out safety checks between tenants, thus causing a delay in re-letting properties. She suggested that the Committee consider recommending a 1 month discount rather than abolishing the discount altogether. The Committee was supportive of this proposal which would bring Waverley more in-line with other Surrey districts. It also was noted that the policy could be reviewed again the following year.
 - The Committee also endorsed the proposal to encourage owners of long term empty properties to bring these back into use by applying the maximum additional Council Tax premiums.
23. Having considered the proposed recommendations from Executive to Council, the Committee recommended the following amendment to recommendation 1.
 1. The discretionary Council Tax discount for "empty and substantially unfurnished properties" **is reduced to 1 month** from 1 April 2019.

Recommendation

Subject to the consideration of the comments from the Value for Money and Customer Service Overview & Scrutiny Committee, the Executive is asked to recommend to Council that:

- i. the discretionary 50% 6-month Council Tax discount for “empty and substantially unfurnished properties” is abolished from 1 April 2019; and,
- ii. the maximum additional council tax premiums on long term “empty and unfurnished properties” be applied according to the commencement dates in paragraph 17.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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