

Report of:	<i>Strategic Director of Finance Governance and Support Executive Member for Finance and Governance).</i>
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AGENDA ITEM 4

Submitted to:	<i>Council 26 February 2020</i>
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Subject:	<i>Council Tax Premium Rates.</i>
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Summary

Proposed decision(s)
<i>To make the determination that will allow the increased long-term empty property Council Tax charge to be made from 01 April 2020 in line with this report.</i>
<i>To make a further determination that will allow a premium charge otherwise due to be offset under a discretionary relief policy in line with this report.</i>

Report for:	Key decision:	Confidential:	Is the report urgent?¹
<i>Approval</i>	<i>Affects two or more wards</i>	<i>No</i>	<i>No</i>

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
<i>Improvement in local health and wellbeing Maintain the confidence of communities Improve community life, making sure that all people feel safer and happier</i>	<i>Affordable housing will be created. The effects on neighbourhoods from empty homes will be reduced. Support for the redevelopment of disadvantaged estates.</i>	<i>Ensuring that the Council operates efficiently and effectively so that physical and social regeneration outcomes are maximised. The increased Council Tax and New Homes Bonus contributions will support the Council's Medium Term Financial plan if supported by additional collection.</i>

Ward(s) affected

All wards are affected by the decision.

What is the purpose of this report?

1. To provide information that will allow determinations to be made by Council consequent to the Executive decision made in response to the report Reducing Empty Homes in Middlesbrough.

Why does this report require a Member decision?

2. Exercise of certain powers under the Local Government Finance Act 1992 has to be made by full council.
3. Empty homes is an issue that will affect all wards, either from the perspective of the communities in which they are situated or the owners who are liable to pay the council tax for them.

Report Background

4. The report 'Reducing Empty Homes in Middlesbrough' set out the reasons why Council should increase the premium charged for long-term empty homes (attached as a background paper). The Local Government Finance Act 1992, as amended, requires that a determination is made by full Council as to the rate at which the premium is to be charged.
5. The premium applies to dwellings that have been unoccupied and substantially unfurnished for a period of two years. The current rate is set at 50% and has been effective since 01 April 2013.
6. The enhanced power means that the additional charge will increase from 50% to 100% and where a dwelling has been empty for at least 5 years then the amount will increase from 50% to 200%. This means that affected council tax payers will be required to pay twice or three times the charge applicable to the band of the respective property.
7. This increased premium will result in an increased Net Collectable Debt, estimated to be around £270k pa. based on 209 band D equivalent dwellings.

Empty Period	Ctax Tax Charge Applicable to Band	No of Band D equivalent dwellings subject to the Premium.	Premium Applied
Less than 2 years	Full Council Tax	N/A	0%
2 years but less than 5 years	Full Council Tax	178	+100%
5 years plus	Full Council Tax	31.9	+200%

8. Guidance for local authorities on properties for sale and letting was published in May 2013 that stated "The government's intention behind the decision to provide billing authorities with the power to charge a premium was not to penalise owners of

a property that is genuinely on the housing market for sale or rent.” and “The Government expects billing authorities to consider the reasons why properties are unoccupied and unfurnished, including whether they are available for sale or rent, and decide whether they want such properties to be included in their determination.”

9. Whilst the premium rate has been 50%, currently no exceptions have been provided for, and tax payers have generally accepted their liability. Making a determination that provides for exceptions could compromise the billing and recovery process through delays that might well result from exploring and deciding individual circumstances, and so where there are grounds for accepting a lower level of charge then this can be achieved through the application of a discretionary reduction.
10. The Council already has an Exceptional Hardship policy in relation to Council Tax, but it is restricted to those who are in receipt of Council Tax Reduction, for which it is a requirement to be in occupation of a dwelling. For the purpose of this scheme, this report outlines circumstances where the premium will be offset by the S13a reduction.
11. Sunderland, South Tyneside and Newcastle councils, regionally have all charged the 100% rate premium from April 2019 and are due to charge the 200% from April 2020. Durham County Council has consulted on applying the higher rates from April 2020, and is proposing to extend its existing hardship policy in parallel with the change.

Reduction of Premium

12. The power under subsection (1)(c) of section 13a of the Local Government Finance Act 1992 may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination.
13. It is proposed that, where substantial and verifiable actions are being undertaken that satisfy the Council that there is a real prospect of a property coming back into use within six months of a new owner acquiring it either for re-sale, rent or to occupy, then a Section 13a relief may be applied. This relief will be for up to a maximum period of 6 months on the increased premium only. Only one S13a will be permitted for the relevant property irrespective of how many times the property is sold and the granting of this relief will be subject to a property inspection in each instance. Following the period of 6 months the full premium will take effect.

Scenario 1

Property 1 – Empty for 2+ years = subsequently sold

New owner intends to either, rent, move-in or sell the property.

Owner undertakes substantial and verifiable actions that satisfy the council that they intend to bring the property into use – application for S13a – subject to site inspection to validate actions.

Property under the old scheme would attract a 50% premium

Property under the new scheme would attract a 100% premium – however to incentivise the movement of long term empty properties into use through either sale, rent or move-in a 50% S13a relief may be awarded reducing the premium to 50% for a maximum period of 6 months.

Scenario 2

Property 2 – Empty for 5+ years = subsequently sold

New owner intends to either, rent, move-in or sell the property.

Owner undertakes substantial and verifiable actions that satisfy the council that they intend to bring the property into use – application for S13a – subject to site inspection to validate actions. .

Property under the old scheme would attract a 50% premium

Property under the new scheme would attract a 200% premium – however to incentivise the movement of long term empty properties into use through either sale, rent or move-in a 150% S13a relief may be awarded reducing the premium to 50% for a maximum period of 6 months.

Nb It would be very unlikely for a new buyer to invest in these properties – if from the on-set Council Tax plus a 200% premium became chargeable. The scheme is designed to support those wishing to purchase properties to bring them back into use which is both the intention of the council and of central government.

14. In the case of a property genuinely for sale or rent, but there is sufficient/adequate evidence to suggest the intended sale has been initiated to avoid the increased amount, such as:-

- Marketing a property for sale, where the sale price is set too high thus reducing the likelihood of selling the property

OR.

- Marketing a property for rent, where the rental price is set too high thus reducing the likelihood of renting the property

Then the respective 100% or 200% charge will apply.

15. It will be for tax payers to provide sufficient detail and evidence appropriate to their circumstances to allow a decision to be made as to their eligibility for a section 13a reduction, though additional information may be requested if the information/evidence provided/submitted suggests that there is something that might be relevant to the decision that has yet to be/should be provided.

16. Should it be established that actions relevant to a reduction granted cease, subsequent to the decision being made to reduce liability, then the decision will be reversed and a bill will be issued for the appropriate period and amount in full.

What decision(s) are being asked for?

17. To make the determination that will allow the increased long-term empty property Council Tax charge to be made from 01 April 2020 in line with this report.

18. To make a further determination that will allow a premium charge otherwise due to be offset under S13a discretionary relief policy in line with this report.

Why is this being recommended?

19. The additional charges will support the Council's delivery of its Strategic Plan generally, and specifically in its objectives as set out in Reducing Empty Homes in Middlesbrough.
20. Central government guidance is clear that certain factors need to be considered by councils when using the premium powers in their area. The suggested policy provides scope that does not currently exist to recognise the guidance.

Other potential decisions and why these have not been recommended

21. Whilst it is for the Council to decide, not making some adjustment for instances where there are practical reasons for a dwelling not being immediately occupied or sold would be at odds with central government guidance. Including some provision that will allow a degree of flexibility around the premium charge will also support the objective of reducing the number of long term empty dwellings by removing a potential disincentive to such dwellings being acquired by new owners.

Impact(s) of recommended decision(s)

22. The impacts of these decisions are as follows:
 - Regeneration ambitions of the Council will be met.
 - There is an ancillary financial advantage to the Council by pursuing this policy
 - Options to support certain classes through S13a.
 - The approach supports central government guidance

Legal

23. There are no Legal implications around this proposal.

Financial

24. The costs associated with the premium should be self-financing. Administration will be undertaken as part of the Revenues and Benefits core activity, given the relatively small numbers of properties concerned, and the additional role required set out in the Reducing Empty Homes in Middlesbrough report will ensure the capacity to minimise avoidance and assist with related activities to maximise collection.
25. A net gain to the Council's revenue income is anticipated. However, it should be noted that section 13a reductions will not result in a net nil position for the Council, in terms of each charge and corresponding reduction, as income is credited and shared through the Collection Fund whilst the cost of reductions is met in full by the Council through the General Fund. The level of cost involved will need to be budgeted accordingly from 2021/22.
26. The effect of the enhanced premiums has not been incorporated in to the Council Tax bases to be set for 2020/21, and so the additional income that results will offset the unbudgeted costs from potential transitional reductions.
27. Of the 298 properties currently charged a premium and to which the increased rates will apply, 44 will immediately be subject to the highest, 200% premium. There is potential for 350 properties to be subject to the premium at day one, if none of these are occupied in the meantime. The 44 would have resulted in a 31.1 Band D

equivalent increase to the base, whereas the reminder would equate to 178 Band D equivalents.

28. The charging regime will apply equally to dwellings where the Council is the tax payer, though clearly there would be no benefit to be gained to it through the discretionary reduction policy.

Policy Framework

29. This change will be administered in line with the Policy Framework.

Equality and Diversity

30. NA.

Risk²

31. There is a risk that by increasing the amount payable this will have an impact on levels of collection due to the increase in net collectable debt and the possibility that council tax payers may 'refuse to pay'. However steps to secure payment are in place to address this.

32. Furthermore, whilst there is no requirement to consult on this change, the increase will become effective 1 April 2020, with minimal time for the Council Tax payer to respond to the increased financial obligation that this change will bring about. It is also anticipated that this change may result in increased complaints however these will be managed in line with the decisions taken and in accordance with the council's complaints process.


Actions to be taken to implement the decision(s)

33. The change will appear on the 2020/2021 Council Tax bills commencing 01 April 2020.

Appendices

NA.

Background papers

Body	Report title	Date
Executive	Reducing Empty Homes in Middlesbrough	20 December 2019  Empty Properties Exec Report 20.12.20

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² Risk Reference 08-054,08-075,01-052,08-055