

North Tyneside Council

Report to Cabinet

Date: 25 November 2019

Title: Council Tax Empty Homes Premium

Portfolio(s): Finance and Resources

Cabinet Member(s): Councillor Ray Glindon

Report from Service Area:

Resources

Responsible Officer: Janice Gillespie, Head of Resources

(Tel: (0191) 643 5701)

Wards affected: All Wards

PART 1

1.1 Executive Summary:

In November 2017 the Chancellor of the Exchequer announced the government's intention to legislate to tackle the number of empty domestic properties. Parliament introduced the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 which amended section 11b of the Local Government Finance Act 1992. These changes to the 1992 Act enabled local authorities to increase Council Tax charges by applying premiums to long term empty properties.

On 14 October 2019 Cabinet was provided with a report outlining options to consider for the potential to introduce Council Tax premiums from 1 April 2020. At that meeting Cabinet authorised the Head of Resources to undertake consultation on the options being considered and to bring the results of the consultation back to Cabinet for consideration at its meeting on 25 November 2019.

This report provides the result of the consultation undertaken and makes recommendations based upon the consultation outcomes.

1.2 Recommendation(s):

1.2.1 It is recommended that Cabinet:

(a) note the responses to the consultation exercise which are set out in paragraphs 1.5.18 to 1.5.21 of this report, and

(b) invite Council to determine that, with effect from 1 April 2020 and 1 April 2021, the Council Tax empty homes premiums as set out in Option 1 of paragraph 1.6 of this report will apply across the Borough.

1.3 Forward Plan:

- 1.3.1 Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 21 October 2019.

1.4 Council Plan and Policy Framework

This report links directly to priorities identified in the 2018-2020 Our North Tyneside Plan.

These are Our People; be cared for, protected and supported if they become vulnerable including if they become homeless. The proposed introduction of a Council Tax Premium is to tackle the number of properties that are left vacant for a considerable length of time and increase housing stock, which will support homeless intervention.

Our Places; be a great place to live by focusing on what is important to local people, such as tackling the derelict properties that are blighting some of our neighbourhoods.

1.5 Information:

- 1.5.1 Since April 2013, local authorities have been able to apply a maximum 50% Council Tax premium on properties which have been unoccupied and unfurnished for more than two years. To date the charging of a 50% premium was not considered viable, due to government guidance on best practice of exempting any properties from the additional premium that are actively up for sale or let, as well as the low collection rates of the premium elsewhere in the country and the low additional debit that would be gained against increased administrative costs.

New Legislation

- 1.5.2 In the November 2017 Budget, the Chancellor of the Exchequer announced the government's intention to legislate to bring the maximum charge for long term empty homes in England up to 200%, with the following statement: 'I want to address the issue of empty properties. It cannot be right to leave property empty when so many are desperate for a place to live, so we will legislate to give local authorities the power to charge a 100% Council Tax Premium on empty properties'.
- 1.5.3 Parliament introduced the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 which inserted sub-sections (1A), (1B) and 1(C) to section 11B, of the Local Government Finance Act 1992 (the 1992 Act).
- 1.5.4 These changes to the 1992 Act enabled local authorities to increase Council Tax empty property premiums at the rates sets out in paragraph 1.5.5 below.
- 1.5.5 a) From 1 April 2019 local authorities have the power to charge a 100% Council Tax premium for properties that have been unoccupied and unfurnished for more than two years.
- b) From 1 April 2020 local authorities will be able to charge a 200% premium on those properties which have been empty for five years or more.

c) From 1 April 2021 local authorities will be able to charge a 300% premium on those properties which have been empty for ten years or more.

Current position in North Tyneside

- 1.5.8 In North Tyneside, as at 1 September 2019, the total number of properties that could attract the Council Tax Premium stood at 460. Of those properties 305 have been empty for a period of between 2 and 5 years, 104 properties empty for a period of between 5 and 10 years with 51 properties empty for more than 10 years.
- 1.5.9 The Cabinet report of 14 October 2019 sets out the numbers of long term empty properties in North Tyneside by Council Tax band and the additional Council Tax debit that would be created if Council chose to introduce Council Tax empty homes premiums.
- 1.5.10 The concept behind the introduction of Council Tax premiums is to encourage owners to bring their long term empty properties back in to use by providing a financial disincentive for absentee landlords or owners to retain on a long term basis empty properties. It is therefore anticipated that if the initiative is successful the amount of additional Council Tax debit created will diminish considerably.
- 1.5.11 The majority of long term empty properties in North Tyneside are in the lowest Council Tax band (A), often in the more deprived areas of the borough and if brought back in to occupation could be a useful source of more affordable housing.
- 1.5.12 However, the potential benefits of the proposals do need to be considered in the context that in some areas where there may currently be a lower demand for rental properties, some owners may feel forced into letting properties to avoid paying the premium. This in turn could result in property management problems if properties were let to unsuitable tenants.
- 1.5.15 Cabinet may wish to consider proposing that some of the additional Council Tax income gained from introducing the premiums is used to support the initiatives already in place to tackle empty homes in the Authority's Housing and Regeneration Teams.
- 1.5.16 The Empty Homes and Private Sector Housing Officer within the Regeneration Team works with owners of empty properties to identify the most appropriate action to bring such property back in to use. A combination of support, guidance and enforcement can be used to reach a satisfactory result. Additional services provided include referral to the Authority's Deposit Guarantee Scheme for help setting up tenancies and finding tenants, advice on how to claim back Value Added Tax on renovation works for long term empty properties and how to find a suitable builder and access to other Authority services.
- 1.5.17 The Authority also operates an Empty Homes Leasing Scheme. This offers owners of long-term empty properties the opportunity to voluntarily lease their properties for use as affordable housing. The Authority will repair the empty property, let the property and manage the tenancy as part of the Authority's housing stock. The Authority recovers the refurbishment costs, a management fee and any day to day repair costs through the rental income gained. The scheme is aimed at addressing the issues caused by long term problematic empty properties which require a high level of investment to return them to occupation. The scheme has been successful in procuring 23 affordable housing units (for the Authority and partners) in recent years and will successfully return 18 properties to occupation in the next two years.

Consultation outcomes

1.5.18 The response from the National Landlords Association is as follows;

“As many councils have already implemented this strategy, we cannot object to a policy which is reasonable. If the person is not making efforts to get the property back into use, they are not acting as a responsible landlord, a two year window is reasonable.

One caveat would be if the landlord has done all in their power to provide a property which is fit for letting and the property remains empty due to environmental factors i.e. the property is in an area suffering from criminal activity or anti-social behaviour and therefore there is no demand for property from any suitable tenants then perhaps the council could work with the landlord to find a solution, and take these factors into account regarding Council Tax.”

1.5.19 The environmental issue raised by the National Landlords Association was also highlighted by a local landlord who asked that the government guidance on this issue was expressly noted in any Council decision in relation to the empty home premium. The guidance states that any owner of a property that has been empty in excess of two years who can demonstrate that the property is actively being marketed for sale or for rent at a reasonable level means that their property can be exempted from the Council Tax empty home premium.

1.5.20 From the Community and Voluntary Sector comment was fed back by the Director of North Tyneside Citizens Advice. “I have read the consultation proposals on introduction of Council Tax premiums for domestic properties that have been unoccupied and unfurnished for a period in excess of two years. I can confirm that we agree with the proposals to introduce Council Tax premiums and the objective of minimising empty properties.

1.5.21 The question posed in the on-line consultation engagement portal was: -

Please indicate whether you agree or disagree with the proposal to introduce Council Tax premiums in order to discourage owners from leaving properties empty for long periods, in excess of two years.

33 responses (67%) agree with proposal to introduce Council Tax premiums

0 responses (0%) neither agreed or disagreed with the proposal

16 responses (33%) disagreed with the proposal to introduce Council Tax premiums.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Based on the outcome of the consultation, to make a recommendation to Council at its meeting on 20 January 2020, to determine that the Council Tax empty homes premium set out below will apply across the Borough.

a) From 1 April 2020 charge a 100% Council Tax premium for properties that have been

empty for more than two years

b) From 1 April 2020 charge a 200% premium on those properties which have been empty for five years or more.

c) From 1 April 2021 charge a 300% premium on those properties which have been empty for ten years or more.

In line with Government recommendation agree that owners of properties that can demonstrate that the property is actively being marketed for sale or rent at a reasonable level are exempt from the premium on that property.

Option 2

Cabinet may choose to reject Option 1 and ask that the Service consider an alternative approach.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reason:

Consultation responses from the National Landlords Association and our Community & Voluntary Sector are in favour of the introduction of Council Tax premiums. The request to ensure Government guidelines are followed to protect owners who are doing everything in their power and actively trying to sell or let the property is noted and proposed as part of the recommendation.

The potential to incentivise owners of long term empty properties to bring them back into use, should prove positive for those groups more likely to experience housing issues such as younger people, single men and women and single parent families. This proposal may lead to positive impacts in relation to the Authority's approach to housing and homelessness.

1.8 Appendices:

1) Equality Impact Assessment

1.9 Contact officers:

Janice Gillespie, Head of Resource, tel. (0191) 643 5701

Andrew Scott, Senior Client Manager, Revenues, Benefits and Customer Service, tel. (0191) 643 7150

Tracy Hunter, Client Manager Revenues, Benefits and Customer Service, tel. (0191) 643 7228

1.10 Background information:

The following background papers/information has been used in the compilation of this report and are available at the office of the author:

- (1) [Local Government Finance Act 1992](#)
- (2) [The Rating \(Property in Common Occupation\) and Council Tax \(Empty Dwellings\) Act 2018](#)
- (3) [Cabinet Report 14 October 2019- Council Tax Empty Homes Premium](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

If a decision is made to implement Council Tax Premiums as set out in the Cabinet report of 14 October 2019 then an initial increase in Council Tax income would be gained in the sum of £474,167 based on figures as at 1 September 2019. If initiatives are successful in bringing empty properties back in to use, then the amount received from Council Tax premiums will reduce accordingly.

Cabinet may wish to consider proposing that some of the additional Council Tax income gained from introducing the premiums is used to support the initiatives already in place, or consider new initiatives, to tackle empty homes.

2.2 Legal

The amendments made to section 11B of the Local Government Finance Act 1992 have been set out in the body of the report and the amendments specify the maximum percentage of Council Tax Premium that can be applied to properties that have been empty for the relevant periods of time as set out in section 11B..

Section 67 of the Local Government Act 1992 states that the function of making a determination under section 11B of the 1992 Act - Higher amount for long-term empty dwellings: England - is matter for full Council.

2.3 Consultation/community engagement

An e-form was made available on the Authority's website engagement portal. In addition, the National Landlords Association and Residents Landlords Association, through their local representatives and affiliated groups, were asked to seek views of their members and to feed back any views to the Authority. The Authority's Community and Voluntary Sector partners were also contacted directly asking for their views. Articles also appeared in the Newcastle Journal and the News Guardian making readers aware of the consultation exercise. A summary of the consultation responses are set out in the Information section of the report.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

An EIA has been carried out and is appendix 1 to this report.

Should Council decide to implement Empty Homes premium from 2020/21, there would be a negative financial impact on the owners of these properties which remain unoccupied. There is no evidence to demonstrate a disproportionate impact in relation to those who have a protected characteristic.

The potential to incentivise owners of long term empty properties to bring them back into use, should prove positive for those groups more likely to experience housing issues such as younger people, single men and women and single parent families. Therefore this proposal may lead to positive impacts in relation to the Authority's approach to housing and homelessness.

2.6 Risk management

Where owners of long term empty properties feel forced into letting properties to avoid paying the premium, this could lead to some property management issues if properties were let to unsuitable tenants.

2.7 Crime and disorder

The reduction of long term empty properties in the borough may lead to a potential reduction in vandalism and anti-social behaviour associated with these properties.

2.8 Environment and sustainability

There are no environment and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Chief Executive ☐
- Head(s) of Service ☐
- Mayor/Cabinet Member(s) ☐
- Chief Finance Officer ☐
- Monitoring Officer ☐
- Head of Corporate Strategy and Customer Service ☐