



Cabinet (Resources) Panel

11 November 2014

Report title	Technical Reforms of Council Tax – Review of Charges for Empty Properties and Second Homes	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Keith Ireland, Delivery	
Originating service	Revenues and Benefits	
Accountable employee(s)	Sue Martin Tel Email	Head of Revenues and Benefits 01902 554772 Sue.martin@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendation(s) for action or decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve a revised local policy covering council tax charges levied on empty properties and second homes.

The above recommendation makes reference to the revised local policy on charging council tax for empty properties and second homes which is included as appendix (i).

1.0 Purpose

- 1.1 This report seeks approval from Cabinet (Resources) Panel, for a revision to the local policy on council tax charges for empty properties and second homes. The proposed revision is to recognise difficulties in selling or letting properties as grounds to consider waiving the long term empty property premium.
- 1.2 The report also provides information about operation of the local policy since its introduction in April 2013.

2.0 Background

- 2.1 The Local Government Finance Act 2012 was passed on 31 October 2012 giving councils discretion to alter the amount of council tax payable on empty properties and second homes.
- 2.2 The options were considered by a scrutiny panel on 18 September 2012 and recommendations made to Cabinet (Resources) Panel. The scrutiny panel suggested that the scheme should be reviewed after a period of time.
- 2.3 On 23 January 2013 Cabinet approved a discretionary scheme for discounts and charges on empty properties to be implemented with effect from 1 April 2013, comprising the following elements:
 - A discount of 100% of the liability to be granted for the first 21 days in respect of any dwelling that is empty and unfurnished.
 - A premium equal to 50% of the liability to be charged on any property that has been left empty for two years or more (subject to statutory exemptions).
 - The discount awarded for any property which is furnished but not occupied by anyone as their 'sole or main residence' is revised from 25% to 0%.

3.0 Government guidance and appeals outcomes

- 3.1 Since the changes were introduced, the Department for Communities and Local Government (DCLG) issued guidance specifically in relation to the long term empty property premium. The Government had previously announced that it intended to amend the regulations so that Councils would not be permitted to charge the premium where a property is genuinely on the market for sale or letting. The announcement was rescinded and guidance was issued instead.
- 3.2 The guidance stated:

"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. When considering the reasons an authority may want to take account of the following:

- On average, how long are properties in their area been available for sale or rent before completion/occupation;

- What is the average price/rent in the local area?"

3.3 The Government acknowledged that collecting the evidence suggested in the guidance would be administratively burdensome and application of the data subjective, hence the reason for not amending the legislation.

3.4 In April 2014, council tax appeals regarding charges on long term empty properties were considered by the President of the Valuation Tribunal Service. The President accepted that the only avenue available to challenge a council's policy decision was through an application for Judicial Review to the High Court. However, the President stated that Councillors should have the opportunity to consider the DCLG guidance issued in May 2013 when considering the policy to charge the long term empty property premium.

4.0 Support for customers experiencing difficulties in selling or letting their properties

4.1 It is acknowledged that some customers may experience particular difficulties in selling their properties. In December 2013, Cabinet (Resources) Panel agreed a Discretionary Discount Policy to assist customers experiencing hardship in exceptional circumstances. Any customers who are experiencing hardship as a result of charges levied on empty properties and second homes are encouraged to apply for this discount.

4.2 In response to the Government guidance it is proposed to revise the local policy on charging for empty properties and second homes to specifically recognise difficulties in selling or letting a property as grounds for waiving the long term empty property premium. The proposed revised policy is included as appendix (i). Decisions would however continue to be made in line with the discretionary discount policy.

4.3 Since the empty property premium was introduced, three applications for waiver of the charge have been made, two of which have been granted.

5.0 Impact of changes

5.1 The granting of 100% discount for 21 days when a property first becomes empty has largely affected landlords, giving them three weeks to grant new tenancies. During consultation on the original proposals, it was evident that the larger landlords, including Wolverhampton Homes, normally have waiting lists for tenancies. Feedback suggested that 21 days was considered to be reasonable. Many councils do not offer any discount.

5.2 The introduction of the long term empty premium has affected customers that generally own more than one property. In a minority of cases it could apply to a property that has been purchased but empty for some time and needing repair before moving in. It is expected however that the purchase price would reflect the condition of the property and ongoing costs.

5.3 There has been a slight reduction in the number of long term empty properties between 2013/14 and 2014/15 from 444 to 401 cases where the empty property premium has been charged.

- 5.4 Removal of the discount for empty furnished properties means that the same amount is charged whether a property is furnished and unoccupied, unfurnished and unoccupied or fully occupied. This is line with many other Councils and has affected customers with second homes.
- 5.5 Housing associations with charitable objectives are able to claim a 100% class B exemption for the first six months after a property was last occupied. Since the introduction of the local charging policy there has been an increase in applications for class B. It is estimated that in 2013/14 £107,000 of relief that would have been granted as an exemption under the old rules has instead been granted as a class B exemption.
- 5.6 The table below shows the current charging policy in neighbouring authorities:

	Empty property discount	Charge for furnished properties	Long term empty premium
Birmingham	None	100%	150% after 2 years
Coventry	100% for 14 days	100%	150% after 2 years
Dudley	None	100%	100% in 2013/14 150% in 2014/15 after 2 years
Sandwell	None	100%	150% after 2 years
Solihull	None	90% in 2013/14 100% in 2014/15	No premium
Walsall	100% for 3 months	100%	150% after 2 years
Wolverhampton	100% for 21 days	100%	150% after 2 years

6.0 Financial implications

- 6.1 The table below shows the amount of discount granted in 2013/14 compared with 2012/13.

2012/13	Value of discount or exemption £ 000	2013/14	Value of discount £ 000
Class A	263	21 Day discount	469
Class B	0	Class B	107
Class C	2,047		
Second Home Discount	169		
Total	2,480	Total	575

- 6.2 In addition to the £1.9 million extra collectable from reduced empty property discounts, a further £251,000 has been charged in long term empty premium. Overall this meant an additional £2.2 million of council tax to be collected in 2013/14.

- 6.3 The proposed inclusion within the local policy of difficulties selling or letting property as reason to consider waiving the empty property premium is not anticipated to have a significant impact on the amount of council tax to be collected.

[CF/27102014/Z]

7.0 Legal implications

- 7.1 The legal provision to charge council tax on empty properties and second homes is contained within the Local Government Finance Act 1992 (the 1992 Act) and associated regulations. The Local Government Finance Act 2012 amended Section 11B of the 1992 Act giving Councils the right to determine higher amounts for long term empty properties.
- 7.2 The guidance issued by DCLG in May 2013 and the outcome of appeals has been taken into account in the proposed policy.

[RB/30102014/Y]

8.0 Equalities implications

- 8.1 A stage one equality analysis has been completed, no adverse impacts were identified and a full analysis is not required.

9.0 Environmental implications

- 9.1 There has been a slight reduction in the number of long term empty properties although it is too early to say whether this is directly related to the long term empty premium.

10.0 Human resources implications

- 10.1 There are no human resources implications.

11.0 Corporate landlord implications

- 11.1 There are no corporate landlord implications.

12.0 Schedule of background papers

- 12.1 Council Tax – empty homes premium, guidance for properties for sale and letting issued by the Department for Communities and Local Government may 2013
- 12.2 Council tax discretionary discount policy
- 12.3 Equalities screening

Wolverhampton

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Council Tax Charges on Empty Properties and Second Homes Policy

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1. Introduction

- 1.1 The Local Government Finance Act 1992 and associated regulations sets out the mechanism for levying council tax on domestic properties.
- 1.2 The regulations allow Councils some discretion in setting the level of council tax charged in respect of unoccupied properties and second homes.

2 Purpose and principles of the policy

- 2.1 The purpose of this policy is set out the charges to be levied in respect of empty unoccupied properties and second homes in relation to the Council's discretionary powers.
- 2.2 This policy also sets out guidelines to be applied when deciding whether an exception to applying the empty property premium may be considered.

3 Charges to be levied

- 3.1 With effect from 01 April 2013 the Council has resolved to charge council tax empty properties and second homes as follows:

Properties empty for 21 days or less	100% discount
Properties empty and unoccupied for 22 days or more	0% discount (full charge)
Furnished properties and second homes	0% discount (full charge)
Properties unoccupied for 2 years or more	150% charge (empty property premium)

- 3.2 Any periods of occupation of six weeks or less will be disregarded when considering how long a property has been empty. Periods of occupation for six weeks or less will not give rise to a further period of 21 days discount or start a new period of two years before charging the empty homes premium.

4 Exceptions to the empty property premium

- 4.1 The Council will consider waiving the premium for applicants who meet the qualifying criteria as specified in this policy.
- 4.2 The Council will treat all applications on their individual merits and, through these guidelines, will consider granting full or partial exemptions from the empty property premium in the following circumstances:
- Where the owner can clearly demonstrate continuous, ongoing and realistic efforts to sell or let their property over the last two years since it became empty
 - Where the owner is experiencing particular legal or technical issues which is preventing the sale or letting of the property
 - Where the owner is in negotiation with the Council with a genuine view to letting the property under the Council's scheme(s).

- 4.3 All applications for exceptions to be made to the empty property premium will be considered under the Council Tax Discretionary Discount Policy developed under Section 13a Local Government Finance Act 1992. Details of the policy are available on request.

5 Hardship

- 5.1 Any person who believes they are suffering financial hardship due to exceptional circumstances may make an application for relief from the charges under the Council Tax Discretionary Discount Policy under Sections 13a Local Government Finance Act 1992. Details of the policy are available on request.