

**Name of meeting: Cabinet**

**Date: Cabinet – 18<sup>th</sup> December 2018 Full Council 16<sup>th</sup> January 2018**

**Title of report: Council Tax - Empty Property Premium**

**Purpose of report**

To note that Council can now determine under s11B of The Local Government Finance act 1992 to increase the premium for long term empty properties from 50% to 100% meaning that owners of those properties will pay 100% extra in council tax from 1<sup>st</sup> April 2019.

To note that Council can further determine that In these cases, the 100% premium rate would apply for a further 3 years; on the 5<sup>th</sup> anniversary of the empty status a 200% premium rate could be applied ( earliest effective date 1<sup>st</sup> April 2020) and then 300% premium rate after 10 years ( earliest effective date 1<sup>st</sup> April 2021).

To take a recommendation to Council to make such a determination in respect of 2019/20 and subsequent years.

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	<b>Yes</b>  <b>If yes give the reason why – All Wards affected and the value may exceed £250K</b>
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a></b>	<b>Yes</b>  <b>If yes also give date it was registered</b> <b>26/10/2018</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>No</b>  <b>Decision reserved for Council</b>
<b>Date signed off by <u>Strategic Director</u> &amp; name</b>  <b>Is it also signed off by the Service Director for Finance IT and Transactional Services?</b>  <b>Is it also signed off by the Service Director for Legal Governance and Commissioning Support?</b>	<b>Rachel Spencer- Henshall</b> Strategic Director- Corporate Strategy and Public Health – 9 December 2018  <b>Eamonn Croston</b> Service Director, Finance – 3 December 2018  <b>Julie Muscroft</b> Service Director - Legal, Governance and Commissioning – 4 December 2018
<b>Cabinet member <u>portfolio</u></b>	<b>Cllr Graham Turner</b>

**Electoral wards affected: All**

**Ward councillors consulted: None**

**Public or private: Public**

**Have you considered GDPR? Yes**

## 1. Summary

The current Council tax empty rate premium for Kirklees is 50% - agreed at full Council on 16th Jan 2013 (Council Tax Technical Changes report effective from 1st April 2013) and reconfirmed by full Council on the 18th Feb 2015.

The change to s11B is made under the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 which received Royal assent on 01st November 2018

A determination under s11B can only be discharged by authority (full council) under s67(2) of the Act.

There is an expectation that the premium will incentivise owners to bring property back into use so increasing the supply of homes for sale or rent. We are awaiting departmental guidance upon the circumstances where the authority is expected to exercise discretion in cases of hardship or where genuine attempts to bring property back into use are being made.

## 2. Information required to take a decision

The Council needs to consider how to best incentivise the bringing of property back into use to effect the behavioural change behind the policy intention and to encourage where possible economic growth in the Corporate Plan. Colleagues with strategic housing responsibility are exploring whether any additional revenue might be targeted at particular strategies. This is an emerging picture but does not of itself prevent the council from relying upon the behavioural change expected by the premium to kick start change.

- 2.1 The premium is expected to reduce the overall number of long term empty homes, however it should also create additional revenue. We currently charge a premium of 50% by way of a determination made on 15<sup>th</sup> Jan 2013 as outlined above.

The table below shows the impact of a determination to increase the premium to 100% based upon actual Long Term Empty properties in each band.

Council Tax Band	Long Term Empty Properties	50% premium (now)	100% premium	Additional Revenue
A	401	£587,773.77	£783,698.36	<b>£195,924.59</b>
B	138	£235,986.21	£314,648.28	<b>£78,662.07</b>
C	71	£138,758.85	£185,011.80	<b>£46,252.95</b>
D	27	£59,363.69	£79,151.58	<b>£19,787.90</b>
E	17	£45,683.25	£60,911.00	<b>£15,227.75</b>
F	17	£54,001.86	£72,002.48	<b>£18,000.62</b>
G	6	£21,986.55	£29,315.40	<b>£7,328.85</b>
H	0	£0.00	£0.00	<b>£0.00</b>
TOTAL	677	£1,143,554.18	£1,524,738.90	<b>£381,184.73</b>

- 2.2 If the behavioural effect were to reduce the number of long term empty properties then the additional revenue would reduce accordingly but the number in occupation would increase. In the table below we have assumed that 30% of owners bring their properties back into use as a behavioural response.

Because we are already charging a 50% premium it would only take a 30% change in behaviour to extinguish any revenue effect. In this example revenue of £76,236.95 is foregone in comparison to the current position. This is illustrated in the table below:-

Council Tax Band	If 30% brought back into use	100% premium	Revenue Effect	Revenue Foregone
A	280.7	£548,588.85	235,109.51	-£39,184.92
B	96.6	£220,253.80	94,394.48	-£15,732.41
C	49.7	£129,508.26	55,503.54	-£9,250.59
D	18.9	£55,406.11	23,745.47	-£3,957.58
E	11.9	£42,637.70	18,273.30	-£3,045.55
F	11.9	£50,401.74	21,600.74	-£3,600.12
G	4.2	£20,520.78	8,794.62	-£1,465.77
H	0	£0.00	0.00	£0.00
<b>TOTAL</b>	<b>473.9</b>	<b>£1,067,317.23</b>	<b>457,421.67</b>	<b>-£76,236.95</b>

- 2.3 The effect of the policy change is unknown at this stage, which means that it is difficult to calculate the effect of the increase to 200% for properties empty for more than 5 years as at April 2020 and more than 10 years at April 2021.

The figures in the table below are illustrative only and will be subject to change once we better understand the behavioural changes.

		Calculation only	Property long term empty 5 years + at 1st April 2020		Calculation only	Property long term empty 10 years + at 1st April 2021
Council Tax Band	Estimated Empty Properties 5yrs+	100% premium for 5yrs + properties only	200% premium	Estimated Empty Properties 10yrs+ (75% less)	100% premium for 10yrs + properties only	300% premium
<b>A</b>	117	£228,660.12	£342,990.18	29.25	£85,747.55	£114,330.06
<b>B</b>	44	£100,322.64	£150,483.96	11.00	£37,620.99	£50,161.32
<b>C</b>	16	£41,692.80	£62,539.20	4.00	£15,634.80	£20,846.40
<b>D</b>	3	£8,794.62	£13,191.93	0.75	£3,297.98	£4,397.31
<b>E</b>	7	£25,081.00	£37,621.50	1.75	£9,405.38	£12,540.50
<b>F</b>	3	£12,706.32	£19,059.48	0.75	£4,764.87	£6,353.16
<b>G</b>	1	£4,885.90	£7,328.85	0.25	£1,832.21	£2,442.95
<b>H</b>	0	£0.00	£0.00	0.00	£0.00	£0.00
<b>TOTAL</b>	<b>191</b>	<b>£422,143.40</b>	<b>£633,215.10</b>	<b>47.75</b>	<b>£158,303.78</b>	<b>£211,071.70</b>
		<b>Indicative</b>	<b>£211,071.70</b>		<b>Indicative</b>	<b>£52,767.93</b>

### 3. Implications for the Council

#### 3.1 Working with People

The empty property premium is about bringing properties into use so increasing housing supply. Increased Housing Supply reduces pressure on people seeking accommodation meaning that more people have a place that they can call home.

#### 3.2 Working with Partners

There will be no Impact

#### 3.3 Place Based Working

There will be no impact

#### 3.4 Improving outcomes for children

Children in households positively affected by increased housing supply will have better outcomes.

### 3.5 Other (eg Legal/Financial or Human Resources)

There will be no impact other than as set out in the body of the report. The accompanying 2019-20 Council Tax base report factors in the assumed £381k additional income impact as set out in the first table in this report. This assumption will be reviewed for subsequent budget rounds in light of actual experience.

## 4. Consultees and their opinions

N/A

## 5. Next steps and timelines

Cabinet – 18<sup>th</sup> December 2018

Council – 16<sup>th</sup> January 2019

## 6. Officer recommendations and reasons

Council has the option to make a determination(s) afforded by s11B of the act and to determine how any additional revenue be targeted.

That determination can set a premium of 100% or lower should council not wish to apply the maximum percentage with effect from 1<sup>st</sup> April 2019

That determination can set a premium of 200% or lower for properties empty for 5 years or more with effect from 1<sup>st</sup> April 2020

That determination can set a premium of 300% or lower for properties empty for 10 years or more with effect from 1<sup>st</sup> April 2021.

### 6.1 That a recommendation be brought before Council that it make the Determination set out below:

“This council determines that in accordance with section 11B of the Local Government Finance Act 1992 it will set a premium that applies the maximum afforded by the Act under sections 11B(1A) (1B) and (1C) with effect from the dates set out in those sections:

*(1A) For the financial year beginning on 1 April 2019 the “relevant maximum” is 100.*

*(1B) For the financial year beginning on 1 April 2020 the “relevant maximum” is—*

*(a) in respect of any dwelling where the period mentioned in subsection (8) ending on the relevant day is less than 5 years, 100;*

*(b) in respect of any dwelling where the period mentioned in subsection (8) ending on the relevant day is at least 5 years, 200.*

*(1C) For financial years beginning on or after 1 April 2021 the “relevant maximum” is—*

- (a) in respect of any dwelling where the period mentioned in subsection (8) ending on the relevant day is less than 5 years, 100;*
- (b) in respect of any dwelling where the period mentioned in subsection (8) ending on the relevant day is at least 5 years but less than 10 years, 200;*
- (c) in respect of any dwelling where the period mentioned in subsection (8) ending on the relevant day is at least 10 years, 300. “*

**6.2** That work commence integrating this into the incentivising of bringing empty property back into use to increase Housing supply.

## **7. Cabinet portfolio holder’s recommendations**

To make the recommendations as set out in 6.1 and 6.2 above. The portfolio holder welcomes this new legislation, and its implementation by the Council.

Property that lies empty for a significant period of time, for no justifiable reason, when there is a national shortage of housing is unacceptable. The Council must use every power it has to encourage empty properties back onto the market.

The lack of housing has a huge impact on our residents and communities, and anything that can be done to address this problem, must be a positive step forward. Not only for our residents and communities, but at a time of unprecedented pressure on Council services this can also help reduce demand on under pressure services.

Empty property can also blight an area (i.e. anti-social behaviour), so whilst recognising there is a risk to the Councils finances, it is hoped that by adopting this new legislation we can encourage the property owners to bring empty homes back in the housing market. Which will help address, in a small way the current shortage of accommodation in Kirklees and will allow more people to have a place to call home.

## **8. Contact officer**

**Julian Hobson** Senior Manager Revenues and Benefits

## **9. Background Papers and History of Decisions**

Local Government Finance Act 1992

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

Previous Decision in relation to s11B to apply a premium of 50% was made by Council on the 16<sup>th</sup> January 2013.

## **10. Service Director responsible**

**Eamonn Croston** Service Director of Financial, IT and Transactional Services