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Purpose: For Decision

Committee report

Committee	FULL COUNCIL
Date	16 JANUARY 2019
Title	INCREASE IN COUNCIL TAX LONG TERM EMPTY PROPERTY PREMIUM
Report of	DEPUTY LEADER AND CABINET MEMBER FOR RESOURCES

EXECUTIVE SUMMARY

1. Reducing long term empty properties is an essential strategic objective for all Councils which has significant financial implications, not only in maximising the New Homes Bonus but also in ensuring that empty properties are returned to occupation thereby assisting and reducing demands on housing.
2. In 2013 the Government introduced legislation enabling a 50% premium to be charged on domestic properties that remained empty for two years or more as a means to encourage property owners to return their property to occupation and thereby assist with the shortage in housing.
3. A long term empty property is one which has been empty for 180 days or more. Properties can only currently be charged a premium when they have been empty for 2 years. The Isle of Wight currently has 529 long term empty properties which have been empty for 180 days or more of which 152 have been empty for 2 years plus, thereby attracting a premium.
4. The Government has now taken further steps to reduce long term empty properties by amending legislation (Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018) so that from 1 April 2019 a premium of 100% can be applied to a domestic property which has been empty for 2 years or more, from 1 April 2020 properties which have remained empty for five years or more can be subject to a 200% premium and from 1 April 2021 a 300% premium can be applied for properties empty for 10 years or more. It is anticipated that the introduction of these premiums will really encourage property owners to return their properties to occupation.
5. As an outcome of this report, it is recommended that Full Council adopt the increase in long term empty property premiums from 1 April 2019 with the aim of reducing the number of empty properties on the Island and to penalise

those property owners who are not making steps to return their property to occupation.

BACKGROUND

6. The revenues tax team regularly review empty properties to ensure that they are reporting the correct status of the properties listed on the council tax database to maximise grant funding (New Homes Bonus) and also liaise with the Empty Properties Officer to work with property owners to return empty properties to occupation.
7. Properties which remain empty for 2 years or more currently attract a 50% premium so the council tax payer effectively pays 150% of the charge.
8. Reducing long term empty properties is an essential strategic objective for the Council and last year alone 149 domestic properties were returned to use. The Island is ahead of much of the UK in returning its empty homes to occupation. The government target for the percentage of empty properties is 3.7 per cent of all private homes, the national average is 2.49 per cent and the Island performance figure is 0.98 per cent. The table below details the impact of applying the 100% premium to long term empty properties as at 1 April 2019 should property owners fail to return their property to use. There is the potential, on the basis that the current number of long term empty properties remains consistent, to gain further income of £199,504.00 reinforcing the message to long term empty property owners to ensure that their properties are returned to occupation at the earliest opportunity.

	Council tax Charge	Current Charge attracting 50% premium	New Charge at 100 % premium	Additional income
Properties already being charged 50% extra	£245,352.00	£368,028.00	£490,704.00	£122,676.00
Properties not currently being charged a premium but will be from 01/04/2019	£76,828.00	N/A	£153,656.00	£76,828.00
Totals	£322,180.00	£368,028.00	£644,361.00	£199,504.00

Albeit that the number of long term empty properties is fluid the estimated number of properties, taken as a snapshot of the database as 26 October, which will fall into the 'premium' status is anticipated to be:

2019/20

The number of properties estimated to attract the 100% premium is 200, with the potential to generate £199,504.00 additional revenue.

2020/21

The number of properties estimated to be empty for 5 years or more is 71 with the potential to generate an extra income of £109,912.00. Total additional revenue is estimated to be £309,417.00.

2021/22

The number of properties that are estimated to be empty for 5 years or more is 87 and the number of properties that are estimated to be empty for 10 years or more is 22 with the potential of generating additional income of £32,130.00. Total additional revenue estimated to be £ 341,547.00.

These figures are calculated on the council tax charges as of 2018/19.

STRATEGIC CONTEXT

9. Demand for housing on the Island remains high and as such it is a key priority of the council to ensure that all people have a place to call home. As such the introduction of the increased premium rates for empty properties will encourage property owners to return their properties to occupation.
10. The overall stewardship of public funds form an integral part of the council's corporate governance framework and make a positive contribution towards the achievement of the corporate priority 'Ensuring that all the resources available to the Island are used in the most effective way in achieving the Island's priorities' within the council's Corporate Plan 2017 to 2020 which was approved by Full Council in October 2017.
11. Increasing the long term empty property premium is consistent with the council's aim for regeneration and to bring such property back into occupation at the earliest opportunity

CONSULTATION

12. There is no legal requirement to consult to implement this change as this is a change in legislation which has received royal assent. Should the decision be taken to increase the long term empty property premium the revenues team will be writing to those council tax payers who will be expected to pay more.
13. Any decision to increase the long term premium rate will also be advertised in a local newspaper within 21 days of the decision.

FINANCIAL / BUDGET IMPLICATIONS

14. Reducing the number of empty properties on the Island not only attracts government funding being the new homes bonus, but also provides economic benefits for Islanders who are being accommodated. Empty properties can attract crime and anti-social behaviour which can have a damaging effect on people's lives in these neighbourhoods.
15. Implementing the change in long term empty premiums rates has the potential to generate £ 199,504.00 additional revenue for 2019/20 which given the council's financial situation will assist to bridge the gap

LEGAL IMPLICATIONS

16. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, which amended s11B of Local Government Finance Act 1992, was passed in Parliament on 1 November 18 and legislated that the long term empty property premiums be increased in order to encourage properties back into occupation thereby contributing to the regeneration of housing areas with the social and economic benefits of improving neighbourhoods.
17. The council will need to set a lawful and balanced budget and council tax level for 2019/20 at the Full Council meeting on 27 February 2019. The final decision on long term empty property premiums needs to be made by 16 January 2019 in advance of the budget setting meeting.

EQUALITY AND DIVERSITY

18. The council must comply with Section 149 of the Equality Act 2010. This provides that decision makers must have due regard to the elimination of discrimination, victimisation and harassment, advancing equalities, and fostering good relations between different groups (race, disability, gender, age, sexual orientation, gender reassignment, religion/belief, pregnancy and maternity, and marriage/civil partnership). An equality impact assessment has been completed in respect of relevant proposals as part of the decision making process to enable members to take into account and if necessary mitigate the impacts as part of the decision making process.
19. The equality impact assessment (EIA) for the proposed changes to council tax discounts is attached at Appendix 1 to this report.
20. The EIA has examined the potential effects of each of the changes and particularly the effects where any of the options were to be adopted. There is no evidence of any impact (positive or negative) to any particular group within the definition given and therefore it is not deemed to provide inequality to any one characteristic.
21. Where any equality or hardship issues may arise they may be mitigated through the Discretionary Relief Policy by way of transition in appropriate circumstances of 'genuine hardship.'

OPTIONS

22. OPTION 1 -By not adopting the change in legislation to increase the premiums applicable to long term empty properties given to us by government, means that we are not utilising all our powers to reduce the number of long term empty properties. Demand for housing on the Island remains high and as such it is a key priority of the council to ensure that all people have a place to call home.
23. OPTION 2 – By adopting the change in legislation and increasing the premiums applicable to long term empty properties, so that from the 1 April 2019 the long term empty property premium be increased to 100%, from 1 April 2020 the empty property premium be increased to 200% for those properties which have been empty for 5 years or more and from 1 April 2021 the premium be increased to 300% for those properties which have been empty for 10 years or more will no doubt encourage long term property owners to return their properties to occupation at the earliest opportunity.

RISK MANAGEMENT

24. The proposed changes to long term empty property premium seeks to increase the availability of housing for Islanders by penalising property owners who are continuing to keep their properties empty. As such increasing the premium for properties that remain long term empty does not guarantee additional revenue.
25. These changes also need to be considered in the context of the council's overall budget strategy and the financial impact on the ability to deliver services. It also needs to be consistent with strategies that seek to protect vulnerable residents and those affecting children's services, adult social services, housing and other services that might be impacted upon. There is a risk that if the council fails to consider changes to the premium in the current financial climate, this may mean the council will have to make unpalatable cuts elsewhere to frontline services.
26. The council will continue to provide a discretionary relief policy that requires individual applications and takes into account individual merits where it is evidenced that financial hardship or personal circumstances justifies a reduction in council tax liability. Additional support can therefore be applied in 'genuine hardship' cases.
27. As an outcome of the decision made by Full Council, it is proposed that all existing properties that currently pay the premium that is to be changed will be targeted to receive correspondence advising them of the changes that will take effect from 1 April 2019 to enable them to take appropriate steps to prepare for the change prior to receiving their annual council tax demand notice.

EVALUATION

28. By adopting the legislative changes and implementing the increase to the long term empty property premium will not only achieve additional revenue but also

reinforce the need to reduce empty properties thereby maximising homes available to Islanders.

RECOMMENDATION

29. OPTION 2: That from the 1 April 2019 the long term empty property premium be increased to 100%, from 1 April 2020 the empty property premium be increased to 200% for those properties which have been empty for 5 years or more and from 1 April 2021 the premium be increased to 300% for those properties which have been empty for 10 years or more in order to encourage long term property owners to return their properties to occupation.

APPENDICES ATTACHED

30. [Appendix 1 : Equality Impact Assessment](#)

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