

AGENDA

REPORT TO EXECUTIVE SCRUTINY COMMITTEE

22 OCTOBER 2013

REPORT OF CORPORATE MANAGEMENT TEAM

COUNCIL TAX CHARGES FOR EMPTY DWELLINGS

SUMMARY

On 26 February 2013, Executive Scrutiny Committee considered a report from the Regeneration and Transport Select Committee, including recommendations arising from the Scrutiny Review of Empty and Abandoned properties. This prompted a discussion about the changes to Council Tax charges on empty dwellings that had been considered as part of the Scrutiny Review (the Committee had acted as a consultee, as the decision on the actual charges rested with Cabinet and Council). Some members of the Executive Scrutiny Committee expressed concerns about charges that would be raised in respect of properties that were empty due to flood and fire damage. The Committee requested that a progress report be brought back several months after the new charges had been implemented, by which time the impact would be better understood.

This report describes the experiences of the first 6 months of operating the new charges in terms of feedback from Council Tax payers, collection performance and impact on workload.

RECOMMENDATION

It is recommended that Executive Scrutiny note the report.

DETAIL

Background

1. The Local Government Finance Act 2012 provided councils with more flexibility over the Council Tax charges that can be raised on certain empty dwellings and second homes. These new flexibilities came at a time when the Council was seeking to identify ways of:
 - Bringing empty dwellings back into use in order to improve neighbourhoods and reduce homelessness lists; and
 - Reducing its budget gap.

Implementing changes to Council Tax discounts and exemptions to maximum effect would make a positive contribution to both of these priorities. The Council's share of the additional Council Tax income arising from the changes was estimated at £1.24m for 2013/2014.

2. The Local Government Finance Act 2012 allowed councils to:
 - Reduce the discount for second homes to 0% (previously this could be set between 10% and 50%)
 - Give a discount of between 0% and 100% for up to 12 months whilst a dwelling is uninhabitable/undergoing major repairs (previously these dwellings were exempt from Council Tax for up to 12 months)
 - Give a discount of between 0% and 100% for up to 6 months on dwellings that have become empty and unfurnished (previously these dwellings were exempt for up to 6 months)
 - Charge an “empty homes premium” of up to 50% on top of the full charge after a dwelling has been empty for more than 2 years (previously these dwellings paid councils’ normal long-term empty charges – in SBC’s case, 50%)
3. In addition, councils already had powers to reduce the standard 50% discount that applied after a dwelling had been empty for 6 months or more, down to 0%, or any percentage between 0% and 50%.
4. The empty property scheme that was approved by Cabinet and Full Council in February 2013, for implementation in April 2013, is shown in the table below, which also shows the pre-April 2013 scheme for comparison purposes.

Description		Discount awarded in 2012/2013	Discount amount for 2013/2014
<i>Uninhabitable</i> – Dwellings that are empty and require or are undergoing major structural work to make them habitable		Exempt for up to 12 months (legislative requirement)	0%
<i>Empty</i> – Dwellings that are no-one’s sole or main residence, are unfurnished and do not fall into one of the classes of dwellings that are exempt from Council Tax	Up to 6 months	Exempt for 6 months (legislative requirement)	0%
	6 months to 2 years	50%	0%
	In excess of 2 years	50%	Charge empty homes premium at 150%
<i>Second homes</i> – Dwellings that are furnished but are no-one’s sole or main residence		10%	0%

Annual Billing

5. In advance of annual billing 2,200 letters were issued to the owners of empty properties advising them of the new charges and enclosing a promotional leaflet for the services provided by the Council’s Empty Homes Team. The leaflet generated 35 enquiries to the Empty Homes Team, following which 5 leases have been signed for the Empty Homes Scheme - the Council’s partnership with Coast & Country Housing and Vela which provides loans to the owners of empty properties to bring them back into use.

6. Annual billing brought an influx of telephone calls and “complaints” from owners of empty properties that were unhappy about the new charges. Some owners approached Members or their MP who took up queries on their behalf. Standard response templates were used wherever possible, to ensure consistent messages. Members will also be aware of a public question at September’s Council meeting, querying why there are different empty property charge arrangements for Council Tax and Business Rates.
7. Many of the complaints, concerns and queries relate to individual circumstances, however some themes have emerged, for example:
 - Landlords – need time to carry out property and admin work between tenancies and suggestions that the extra cost to their business would be passed on to tenants in the form of rent increases;
 - Difficulties selling inherited properties;
 - Questions about what services owners of empty properties receive from the Council;
 - Questions about sole or main residence and the Council Tax position relating to marital separations, students living in properties and family members living in properties;
 - Disputes over tenancy start and end dates.
8. There have been cases where Council Tax payers have disputed the charges, claiming that the properties were actually occupied or were in the process of being occupied. In these cases we have asked for evidence of occupation such as utility bills showing usage or copies of other bills, such as bank statements, that evidence residence. When such information is not available we have been to look inside the property. Where there continues to be a difference of opinion about the status of the property, matters have progressed through the statutory appeal procedure. We currently have 3 cases waiting to be considered by the Valuation Tribunal and a further 11 appeals that are likely to progress to Tribunal stage. This is an increase over previous years where on average we have had only 2 appeals at the Valuation Tribunal. It currently takes around 5 months for cases to be heard by the Tribunal so it will be some time before decisions emerge and we get a feel for the Tribunal’s approach to these types of cases.
9. The changes have increased the workload of the Taxation team. We have received some 250 items of correspondence about empty property charges, much of it complex and challenging, requiring follow-up and detailed explanation of the reasons for change and the Council Tax legislation. This, coupled with the higher than usual number of appeals has particularly impacted on the workload of senior members of the team that deal with the more complex issues. Our visiting officer’s workload has also increased due to a requirement to visit and inspect properties to establish if they are occupied or furnished.
10. The number of Council Tax payers querying the empty property charges is now diminishing, however we continue to receive several new complaints and/or disputes per week that remain complex and time consuming to deal with.

The first 6 months of collecting the new charges

11. There has been a reduction in the number of properties shown as empty in the Council Tax records:

	<u>December 2012</u>	<u>September 2013</u>
Uninhabitable	82	23
Empty Less than 6 months	1190	1099
Empty 6 months to 2 years	571	624
Empty longer than 2 years	349	252
Second Homes	342	361
Total	2534	2359

12. It was anticipated that there would be an element of avoidance and difficulty in identifying some owners/collecting payments from absent owners and this was taken into account in income estimates. The £1.24m, the Council's share of additional income built into the medium term financial plan assumed collection rates of 70% (55% for the empty homes premium) and experience to date indicates that these estimates are reasonable and the additional income will be achieved:

<u>Collection rate at month end:</u>	<u>From owners of empty properties</u>	<u>From all Council Tax payers</u>
April 2013	7.89%	10.54%
May 2013	15.75%	19.82%
June 2013	21.83%	28.79%
July 2013	28.23%	37.95%
August 2013	36.24%	47.06%
September 2013	44.56%	56.26%

13. Also on a positive note, landlords are advising of tenancy changes straight away. In the past, late notifications led to billing delays and difficulties in collecting Council Tax from tenants that had moved in and out without us being made aware.

Impact on Council Tax payers

14. There are many different reasons why dwellings are empty and the circumstances, both personal and financial, of the owners of empty dwellings vary greatly. No single issue has emerged that would suggest a need to review the scheme, but examples of general issues and concerns that have been raised were listed in paragraph 7 above.
15. Where appropriate, Council Tax payers have been referred to the Empty Properties Team who have offered advice and assistance, for example linking up sellers with property developers and encouraging owners to sign up for the Empty Homes Scheme. In the week commencing 9th September, five people made contact with the team after their services were promoted by Council Tax.
16. The Empty Homes Team has also recently carried out a consultation survey seeking views on how the service could be improved and how the team can assist the owners of empty dwellings to return their properties to use and help find suitable tenants who will value the properties. The feedback from the survey is currently being analysed.

17. The Committee was particularly interested in properties that were empty and undergoing repair due to flood and fire damage. We were approached by the owners of 2 flood damaged properties, querying the fairness of the new charges. These owners were living in alternative accommodation within the borough whilst their properties were being repaired, but have now re-occupied their homes. Both had insurance cover for the costs of alternative accommodation and therefore have paid Council Tax for one property, whilst continuing to receive Council services. Of the 24 properties that were empty due to flood damage at annual billing, only 4 still remain empty.
18. Since the floods in 2012, a number of measures have been taken that will significantly reduce the risks of future flooding and the accompanying long term evacuation of properties. These will be outlined in detail at the November Members' Policy Update Seminar and include:
- The purchase of emergency defence measures at a cost of £100,000 – pumps and flood barriers that can be deployed anywhere in the borough;
 - Securing £415,000 from the North-East local levy to pay for a scheme to reduce the risk of flooding at Brown's Bridge;
 - A bid for £1.2m from the Government to pay for further flood defence and alleviation work for Lustrum Beck.
 - Increasing the capacity of the surface water drainage system around Billingham Bottoms;
 - Requiring land owners to carry out maintenance works to ditches and culverts around Cowpen Bewley village;
 - Securing funding for individual property protection in exceptional cases in Hardwick
19. Members will recall that a hardship fund of £100,000 was set up to provide short-term assistance to Council Tax payers that are facing financial hardship and are unable to pay their Council Tax bill. Funding from this pot could be made available to any residents that have been affected by flooding, have had to vacate their homes and who are not covered by insurance for any additional housing costs whilst their property is being renovated. At the time of writing, there have been no applications for assistance from the hardship fund in respect of the new empty property charges, although this may change as enforcement action proceeds against those that haven't paid. All applications for help received to date have been from residents affected by the introduction of Council Tax Support and other welfare reforms.

Conclusions

20. No changes to the scheme are required at this stage. The objectives behind the introduction of the new charges are being achieved as the number of empty homes registered in the Council Tax system is reducing and additional Council Tax income is being generated to help reduce the Council's budget gap and ensure that we continue to deliver key services and support residents. However, as expected, the new empty property charges are creating some extra workload and collection difficulties and have caused some upset amongst owners. At the moment the additional workload is being managed within existing resources, however the situation will need to be monitored, particularly the number of appeals, which are resource intensive. Cases where the new charges cause exceptional hardship can be managed through the Council Tax Hardship Scheme.

FINANCIAL & LEGAL IMPLICATIONS

21. There are no financial or legal implications associated with the report.

RISK ASSESSMENT

22. The administration of the Council Tax empty property charging scheme is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

COMMUNITY STRATEGY IMPLICATIONS

23. There are no Community Strategy implications associated with the report.

CONSULTATION INCLUDING WARD/COUNCILLORS

24. It has not been necessary to undertake consultation in connection with this report, which is for information only.

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Background Papers: N/A

Ward(s) and Ward Councillors: N/A

Property: N/A