

TRAFFORD COUNCIL

Report to: Executive
Date: 30 September 2019
Report for: Decision
Report of: Executive Member for Finance and Investment

Report Title

Council Tax Long Term Empty Property Premium

Summary

Legislation is now in place to extend the existing long term empty property charge currently in place which was agreed by Council in 2013.

Section 11B of LGFA 1992 amended by Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 now provides that local authorities may increase the charge for empty dwellings dependant on the period of time that the property has been empty.

This report details the outcome of consultation between 26 July 2019 and 23 August 2019.

Recommendation(s)

That the Executive approves the proposal to amended changes to the Council's existing policy to implement changes to the Council Tax Long Term Empty Property Premium as detailed in the report from 1 April 2020.

Contact person for access to background papers and further information:

Name: Louise Shaw

Extension: 3120

Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	Quality Housing, Successful and Thriving Places, Pride in Our Area
Relationship to GM Policy or Strategy Framework	None
Financial	There are a small number of empty properties in Trafford, the increase in the level of Council Tax that can be levied will raise additional funds that will be paid into the Council Tax collection fund. However, the proposed increases are to incentivise occupancy, rather than as a pure revenue generating measure, so the additional funding is unlikely to be material as well as being diverted to support the Council to bring empty properties back in to use.
Legal Implications:	Section 11B of LGFA 1992 amended by Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 now provides that local authorities may increase the charge for empty dwellings dependant on the period of time that the property has been empty
Equality/Diversity Implications	An equalities impact assessment has been completed and there are no groups negatively impacted from the changes.
Sustainability Implications	None
Resource Implications e.g. Staffing / ICT / Assets	Resources required to implement the proposed changes to the scheme can be absorbed within current staffing levels.
Risk Management Implications	None
Health & Wellbeing Implications	None
Health and Safety Implications	None

1. INTRODUCTION

1.1 In 2013, the Council adopted a general policy of seeking to apply the minimum levels of discount from Council Tax where this would lead to increased revenue to the Council and bring empty properties back into residential use. At that time approval was given to charge an additional 50% Council Tax for most properties which have been empty for more than two years in accordance with the Local Government Finance Act 2012 which saw the abolition of a number of nationally set discounts and the introduction of more locally set discounts.

1.2 New legislation now provides that local authorities may increase the charge for empty dwellings dependant on the period of time that the property has been empty. This is contained in Section 11B of LGFA 1992 amended by Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

1.3 Although there was no legal requirement to consult the public, a consultation exercise took place on the website on the proposed changes from 26 July to 23 August 2019. An equality impact assessment was completed. This report summarises the proposed changes, results of the consultation and recommends amendments to the existing Council policy on Council Tax discounts.

2 BACKGROUND

2.1 Properties become empty for a variety of reasons and many properties become empty for short periods of time such as a few weeks between tenancies in the rented sector and between occupiers in the private sector. Typically registered social landlords and private landlords experience a short period when a property changes tenants or is undergoing renovation as it is in the landlord's interests to tenant the property as quickly as possible to maximise rental income.

2.2 Owners of many privately owned empty residential properties have inherited them or purchased them to live in at some point or purchased as an investment which may require improvement or renovation before occupation.

2.3 Trafford has 103,371 properties on the Council Tax register households. As at August 2019 there were 2,052 properties that are empty. This includes 153 properties that currently have 100% discount from Council Tax due to being uninhabitable whilst undergoing major repair work.

2.4 Of the 2,052 (2.0% of all properties liable for Council Tax) that are empty, 1,350 have been empty for less than a year, of those 957 have been empty for less than 6 months.

2.5 1,095 properties have been empty for over 6 months therefore the figures suggest that 1.1% of all residential properties in Trafford are long term empty, or a half of all empty properties are considered to be long term empty. This does not include properties that are currently empty and exempt and which may be available for occupation at some point in the future.

2.6 The table below details the number of empty properties in Trafford and the period that the property has been empty as at August 2019.

Empty period	Total
Empty for less than 6 months	957
Empty between 6 months and one year	393
Empty between one and 2 years	474
Empty between 2 and 5 years	145
Empty between 5 and 10 years	41
Empty more than 10 years	42
Total empty and which could be occupied	2052

2.7 A total of 228 properties have been empty for more than 2 years and which could be occupied and which are currently liable to pay 150% Council Tax.

2.8 The Council Tax bands of the current empty properties are detailed here.

	Total	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Empty for less than 6 months	957	242	245	220	124	45	35	32	14
Empty between 6 months and one year	393	91	91	91	45	15	24	22	14
Empty between one and 2 years	474	102	103	108	52	50	33	15	11
Empty between 2 and 5 years	145	49	31	25	14	10	1	8	7

Empty between 5 and 10 years	41	8	12	9	4	3	2	2	1
Empty more than 10 years	42	16	4	11	4	4	1	1	1

3 PROPOSED CHANGES

3.1 The changes to Council Tax empty property charges, contained in the new legislation are detailed below.

Proposed changes

Effective From	Proposed Amount	Details
1 April 2020	200%	Empty for 2 years but less than 5 years
1 April 2020	300%	5 years or more
1 April 2021	200%	Empty for 2 years but less than 5 years
1 April 2021	300%	Between 5 and 10 years
1 April 2021	400%	10 years or more
1 April 2020	100%	New owners of property currently being charged a premium who are undertaking work to bring back into use. Exempt from premium for up to 12 months from date work commences

3.2 As with the 2013 changes there is no requirement to consult, however, it is considered good practice to do so. On the basis that owners of empty properties now may not be the same owners of empty properties in the future.

3.3 Although only owners of long term empty properties are affected by the increased charges, the consultation requested the views of all members of the public who may wish to comment.

4 CONSULTATION OUTCOMES

4.1 The consultation was open to all members of the public via the web-site. As this change may largely affect landlords, members of Trafford's Landlord Forum were specifically invited to take part.

4.2 In total 94 responses were received to the consultation.

4.3 Overall 53 comments were received which is 0.05% of all Council Tax properties in Trafford.

4.4 The comments to the consultation are detailed below:

Consultation Responses

Respondents to the survey were invited to add comments. Those are detailed below.

	Comments
1	I'd really like the council to be given greater powers to cpo empty properties even in cases of disputed estate.
2	"Firstly where do properties being let as air bnb rentals fit into this category? They are not being used as homes. I know off one house currently doing this, no one is living in it, the rooms are rented out on airbnb.
3	If they aren't being classed as empty, then I would want them to be, and increase the premium on them.
4	The excuse used that council tax will bring empty properties back into use is no more than a smoke screen to raise cash for the council and add a further burden to the property owners trying to raise the money to repair and refurbish properties
5	Actively search out empty properties and chase up the owners to remind them of the council property tax charges.
6	Whether a property is empty or not is not really the business of the council. It's there business of the person or estate who owns the property. Keep your hands off
7	"The only exception to the raised charges for empty properties is when someone has died and there is a dispute as to rightful ownership or inheritance or where the family have actively marketed the property for sale but it has not sold for whatever reason.
8	Empty houses should not have council tax...if the owners have left the houses empty it is for a reason. Their house to do with as they wish...this is Big Brother tactics...

9	While I encourage the proposals I think they should be even higher. Empty houses drive up the prices in this country and people who sit on empty houses should have penalised for this
10	Should have been done sooner!
11	It's important not to penalise people for purchasing empty properties to bring them back into use, however there should be sliding scale of how long the property can be under refurb whilst remaining exempt
12	I agree with the proposals. We have a house on our street empty long term and it's falling to rack and ruin. It is owned by someone who appears to have just abandoned it. There are two on Great Stone Rd by the leisure centre also empty and abandoned for years. They drag the overall appearance of our community down, attract vandals and could provide much needed housing for people trying to get on the housing ladder if they were sold.
13	I think it's a good idea however if you introduce ways around paying council tax as suggested in the layer points then people will take advantage an attempt to use them when not appropriate. I think if someone wants to repair a house to let someone live in there after it being empty for a while they should still pay council tax at the usual rate
14	I am sick and tired of seeing privately owned housing standing empty and in a terrible state of repair! There are so many hardworking young people who want to get on the housing ladder and these houses are crying out to be lived in. Don't sell them to people who will renovate them and then rent them out for ridiculous amounts of money help young people!
15	There should be a time limit allowed for the works to take place with a maximum of 2 years of reduced payments
16	Some Builders buy properties and due nothing for years. We must stop this hoarding of properties.
17	All property should be taxed regardless of the state of the house. Some do this on purpose. If the house had a fire it would still require emergency services or police. If people have the money to buy the house they should also pay for it in full for council tax. No more dispensations.
18	It's a crime to have property vacant for over 2 years when there is so much demand in Trafford.
19	Absolutely people should be charged more for houses that could be used to ease the housing crisis. However, given the continued difficult financial climate and the pressure on council budgets, I don't think any revenue should definitely be Ring fenced for reductions if it could be used to support vital public services.
20	Empty properties should be re-purposed for those In need of housing. If the owner hasn't done anything with them by 5 years of ownership, the local council should seize and re-use. Simple. But only if you're not grabbing money and have a heart,& ethics and morals...
21	"The wording of item 8 is not acceptable as it assumes TMBC has already increased the taxable rate.

22	I believe that with change of ownership the new owner should factor in the council tax costs. You will get some families who own a number of properties between them just transferring ownership to get the discount. I'm assuming the alterations 12 month discount is still in place for structurally unsafe properties so that should suffice if the property is in need of repair.
23	I think there's a case for taking each case on its merits e.g. my parents' house was empty after their deaths, probate took months and there was significant clearance to do. There needs to be some lenience and compassion in specific cases. In my case this was dealt with well by the council and I was grateful for their support.
24	I think the money must be ring fenced to only help owners to do up properties.
25	This will help housing issue it will also if applied to commercial property help rejuvenate the area
26	Yes we have a national housing shortage and a serious affordable housing shortage in Trafford. It's just not fair that individuals are sitting on empty houses for their own financial benefit. Those houses are needed for young people - particularly families. Apart from anything else the environmental impact of building new houses is so much more than that of renovating existing houses. So I believe that specific disbenefits implemented through the taxation system would really help to solve the problem.
27	The charges to landlords/owners of empty properties should be hard hitting and be a complete deterrent. No good allowing time for work to be done on properties if they have been empty a long time, they have already had enough time to get the jobs done. Why buy a house to have it lie empty and fall apart. If all unoccupied properties were hammered with tax this would reduce the number of new properties needing to be built.
28	Pleased that a consultation is taking place and get some of the empty properties back to being someone's home.
29	Where council tax is avoided, property should be size for auction with proceeds settling the balance owed with remainder going to the owner. Empty properties more than 10 years should be listed for interested developers to make offers to purchase and renovate.
30	This is an unfair tax on landlords.
31	Yes I do, do it now and don't hesitate, empty homes are unacceptable in our modern society, people who can afford to own empty homes can afford to pay extra tax
32	What success rate does Trafford have in actually receiving Council Tax on empty properties?
33	Question? How much of this premium is actually collected?
34	"If people can afford to sit on an empty property for years, they can afford to pay additional council tax. This should encourage people to at the very least rent out their property (although selling on would be preferable). If they cannot afford to bring it into a condition to rent it out or make it liveable, it should be sold onto someone who can. I see no disbenefits to this plan."

35	All property should pay their way in full. It also encourages them to make houses habitable sooner. Owners work the system and this will stop it. The only exception is if the house had a fire and was not liveable.
36	"There should be a time period set to bring it back into use and extensions where possible, if they can clearly demonstrate that something is out of their control.
37	Support those refurbishing properties.
38	More should be done to get empty properties used again, either forced to sell to housing associations or bring up to a standard for private sale or rental. This would reduce the need for new build properties
39	"Exemptions for social housing organisations who may have difficulty to let properties. Possibly not in Trafford. I would expect Trafford MBC to work with owners to discover why they've been left and offer advice and incentives to get properties back in use. Waiving the premium only where it's a meaningful start, work has a fixed timescale and there is progress year on year."
40	It's very important to ensure empty houses don't become a drain on local authorities.
41	What a disgrace to charge so much if a property is empty start compulsory purchase proceedings 400% for someone try to upgrade a property is something I will move out of Trafford for
42	"If the building has been empty for 2 years or more and they start doing work to bring it back into use then reduce fees but it has to be time limited otherwise can drag process out. If they can't afford to bring up to standard for it to be used they pay enhanced rates or sell.
43	I have property next to me which had been empty for over 5 years. Nothing is happening at all and it's such a waste of good housing.
44	Empty homes are often a blight on local communities and are a waste of valuable property. I agree everything should be done to bring them back to a habitable state.
45	To encourage people to buy and renovate houses Council Tax should be nil whilst renovations take place; with a maximum time limit.
46	"The charge should not be increased from the current level. It is unfair to penalise someone who may own a second property which they do not wish to rent out but do want to leave it to relatives when they are older.
47	If property empty due to person being in a care home or hospital long term the tax should not be increased as unfair and they may not have funds to pay
48	To find honest reliable builders in the trade is difficult. Sometimes the work takes longer than planned. Up to 2 years is fine. Anything over, I would suggest looking at individual cases as it could've been due to events outside their control
49	How do I find where these properties are?
50	In relation to where the premium should be waived where the property is being repaired back into use, a stringent checking system needs to be applied to ensure that this isn't being declared for avoid paying it
51	There should be a time limit on how long it takes to complete the work.

52	"A sensible time limit - albeit extendable should be applied for the improvement works on empty houses to be completed. The same scheme should be applied to commercial properties on the high street especially if they have living accommodation above them.
53	I think it's really important to bring empty housing back into use to mitigate the shortage of properties to rent or buy in the Borough. These measures would seem to help this aim.

5 CONSULTATION ANALYSIS

5.1 The majority of respondents agreed with the proposals as can be seen from the table below.

5.2 Results of Consultation

	Agree	Disagree	No response
Q1 - should Trafford Council increase the premium charged on long term empty properties from 50% to 100% (a total of 200%) with effect from 1 April 2020?	76	18	0
Q2 - Should Trafford Council increase the premium charged on long-term empty properties that have been empty for at least five years to 200% (a total charge of 300%) with effect from 1 April 2020?	81	13	0
Q3 - Should Trafford Council increase the premium charged on long-term empty properties that have been empty for at least ten years to 300% (a total charge of 400%) with effect from 1 April 2021? - 300% to 400%	77	16	1
Q4 - Should Trafford council waive the premium in cases where ownership has changed and the new owner is undertaking work to bring the property back into use?	81	12	1
Q5 - Should Trafford use the additional revenue from the above proposals to reduce the charge for new owners of long term empty property back to 100% while they repair the property and bring it back into use?	65	26	3

5.3 The majority of the comments left were positive about increasing the Council Tax premium on long term empty property.

5.4 Six other Greater Manchester authorities are known to have introduced some or all of the changes effective from 01 April 2019.

6 EQUALITY IMPACT ASSESSMENT

6.1 See appendix A

7 FINANCIAL IMPACT

7.1 The purposes of the consultation is to consider extending the current policy in place which charges empty properties 150% Council Tax when the property has been empty for 2 years or more, and to encourage empty property owners to bring properties back into active use.

7.2 The following table gives indicative charges which may be raised if the proposed increases are approved where a property has been empty for 2 years or more, based on current Council Tax rates and number of empty properties. The possible revenue should be treated with caution as the projection in terms of both the Council Tax charge and number of properties and length of empty period will change over time and arrears of Council Tax in such circumstances may be difficult to collect. The Council also intends to reinvest any monies made supporting owners to bring properties back in to use, such as grant an exemption to new owners if the 12 month exemption for say structural repairs have expired.

Potential Revenue based on current data and Council Tax levels

Effective date	Description	Number of properties affected	Proposed Council Tax payable	Possible revenue £000
From 1 April 2020	Empty for more than 2 years and less than 5 years	145	200%	£195k
From 1 April 2020	Empty more than 5 years	83	300%	£178k
From 1 April 2021	Empty for 2 years but less than 5 years	145	200%	£195k
From 1 April 2021	Between 5 and 10 years	41	300%	£89k
From 1 April 2021	10 years or more	42	400%	£147k

It should be noted that the above indicative figures will replace the current income from the premium of £156k, not in addition to it.

8 RISKS

8.1 As with collecting any monies owed to the Council there is a risk of payment evasion, and in particular the introduction of fictitious tenants who may occupy a property and be eligible for single person discount which has the effect of reducing the amount of Council Tax payable by 25%. Robust checks are in place to ensure that such evasion tactics are identified and addressed. Regular single person discount review exercises are undertaken.

8.2 It is difficult to collect monies owed from empty property owners who deliberately avoid payment however in practice this is no different from occupied premises where the occupier attempts to evade payment. Council Tax legislation is used in such cases to recover monies owed and for which court summons and summons costs may be added to the arrears. The use of enforcement action may be required to ensure that monies owed are paid in full.

8.3 There is a risk that 228 empty property owners who are currently paying 150% Council Tax would have a further 50% Council tax to pay after April 2020. Council Tax is payable over a 12 month period and payment arrangements will be offered to empty property owners who may have difficulty in paying the additional Council Tax due. The Council will also write to each of them individually as soon as the call-in period expires to advise them of the future change and offer the support from the Council's empty homes team.

9 CONCLUSIONS

9.1 The consultation responses represents 4.6% of all empty property owners where the empty property could be occupied, and 0.09% of all Council Tax households in the Borough. Some of the comments made by way of response did not affect the introduction of the proposed increases to Council Tax dependent on the length of time the property had been empty.

9.2 Responses were positive overall with regard to any proposed increase in Council Tax and a range of comments were made with regard to empty properties

9.3 An Equality Impact Assessment (EIA) has been carried out and there is no direct or indirect impact identified on the protected characteristic groups. The EIA can be found at Appendix A. Empty properties are found in every area of Trafford and across every Council Tax band.

9.4 Indicative charges which may be raised are detailed in section 7 based on current Council Tax charges should the properties continue to remain empty for long periods of time. A number of assumptions are made in determining potential revenue.

10 RECOMMENDATIONS

10.1 The recommendations are set out at the front of this report.

11 Other Options

11.1 The alternative is to leave the current premium level in place. It is clear that the level of long term empty properties has not significantly improved following the introduction of a 50% premium in 2013 and is therefore not encouraging owners to bring empty homes into beneficial use.

12 Reasons for Recommendation

12.1 The new level of charges should help to encourage the reintroduction of long term empty property into meaningful usage; it supports empty homes strategies and has received support from consultation responses.

Key Decision): No

If Key Decision, has 28-day notice been given? N/A

Finance Officer Clearance GB

Legal Officer Clearance DS

[CORPORATE] DIRECTOR'S SIGNATURE *(electronic)*..... 

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.