

ANGUS COUNCIL

POLICY & RESOURCES COMMITTEE – 29 NOVEMBER 2016

REVIEW OF COUNCIL TAX LONG TERM EMPTY PROPERTY & 2ND HOMES POLICY

REPORT BY IAN LORIMER, HEAD OF CORPORATE IMPROVEMENT & FINANCE

ABSTRACT

This report reviews the Council's current Council Tax policy on long term empty properties and recommends ending the award of 10% discount to 2nd homes.

1. RECOMMENDATION(S)

It is recommended that the Committee:

- (i) Note the review of the policy on long term empty properties which has been undertaken and agree that there should be no change in policy at this time.
- (ii) Approve the removal of the existing 10% Council Tax discount on 2nd homes from 1 April 2017 and the use of the additional income raised for affordable housing purposes.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN

This report contributes to the following local outcome(s) contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

2. Angus is a good place to live in, work in and visit
8. We have improved the health and wellbeing of our people and inequalities are reduced
- 10 Our communities are developed in a sustainable manner

3. BACKGROUND

Report number 2015/14, Review of Council Tax Empty Property Discount Policy was approved by the Policy and Resources Committee on 29 April 2014. The report provided details of new Council Tax legislation allowing the Council to modify the discount on long term empty properties to between 50% and 10%, remove the discount or levy an additional council tax charge in respect of properties which have been empty for 12 months or more.

The Committee agreed the following policy in respect of the Council tax charge for empty properties.

With effect from 1 October 2014

- First 6 months property is exempt – no charge.
- The following 6 months a 50% unoccupied council tax discount is applied
- After 12 months the discount was removed and 50% additional council tax charge was applied.

With effect from 1 April 2015

- First 6 months property is exempt – no charge.
- The following 6 months a 50% unoccupied council tax discount is applied
- After 12 months the discount was removed and 100% additional council tax charge was applied.

Exceptions

- Following the expiry of the 6 months exemption, followed by a 50% discount for a further 6 months, if a property was up for sale/let a 10% unoccupied discount was granted for a further 12 months resulting in a maximum period of 24 months before the additional charge could be applied.

The income raised from modifying the discount between 50% and 10% is ring fenced for affordable Housing. The income raised from removing the discount and applying an additional levy was available to Authorities to use as they see fit but it was agreed by Committee that all the monies raised would be used towards affordable housing and an empty homes loan fund administered by the Council's Housing Service.

The property analysis at 1 October 2014 prior to the introduction of the additional charge was

Properties empty < 12 months – receiving a vacant exemption or 50% discount	934
Properties empty > 12 months – receiving a 50% discount as job related dwellings, purpose built holiday homes.	162
Properties empty > 12 months – receiving a 10% discount	431

Each taxpayer who had an empty property which was going to be subject to the additional levy was contacted to advise them of the changes and the options open to them.

In relation to second homes the discount policy for these remained unchanged at 10%, only the discount policy on long term empty properties was changed in 2014.

4. CURRENT POSITION

4.1 Long Term Empty Properties

Below is a table of the latest position regarding empty properties in the Angus area. Members will appreciate this is a constantly shifting position as circumstances change.

Ward	Properties empty < 12 months - currently on an exemption or 50% discount	Properties empty > 12 months – 50% discount as job related dwelling or purpose built holiday home	Properties empty > 12 months – currently on additional 100% levy.	Properties empty > 12 months – currently on a 10% extended discount due to sale/let or discretion
Arbroath and surrounding area	233	54	68	117
Carnoustie	97	8	18	36
Forfar/Kirriemuir	249	38	107	129
Brechin area	125	24	39	71

Montrose	161	25	59	79
Monifieth, Tealing etc.	86	6	33	47
	951	155	324	479

The number of properties with the additional levy has been consistent across Angus since the introduction of the charge with between 300 – 350 properties charged.

The number of properties empty < 12 months which are job related or purpose built holiday homes has remained consistent.

At the end of the first full year of implementing the additional levy a total of £273,172 had been billed and £229,383 collected, representing 84%, the outstanding amounts are now being collected through the normal recovery methods. The additional amount collected has been used to support new build development and the empty homes loan fund. The Housing Service intends to continue to invest in new housing and will support the Council's desire to deliver an ambitious new build programme.

4.2 Issues arising from the additional charge on empty properties

The policy is that every property empty for more than 12 months is to be charged the additional levy unless it is up for sale/let or is a job related dwelling/purpose built holiday home. This is regardless of the area it is in, the condition of the property or the current circumstances of the owners.

There are many reasons why a property is empty and not currently in use. Since the introduction of the additional levy there have been a number of appeals received from taxpayers regarding their empty property who are not in a position to bring the property back into use or afford the additional levy. These cases have mainly been –

- The property is undergoing work to bring it back into use but does not qualify for an exemption e.g. previous owner may have had the unoccupied exemption or it has been empty more than 12 months, etc.
- The property is about to undergo extensive structural renovation which includes planning permission, building warrants etc. The owner may be awaiting drawings being completed, permission being granted or is in process of arranging companies to do the work – all which can take time.
- The property is in an extremely poor condition, there are no funds to carry out work required but it does not qualify for an exemption or can be removed from the list by the Assessor.
- The owner cannot undertake repair work or occupy it due to circumstances out with their control e.g. an adjoining property is causing issues, flood damage, legal reasons.

Revenues & Benefits senior managers have looked at these cases in an understanding manner, diligently and sympathetically, considering each on their own merits. In some cases discretion has been used and the additional levy has been removed and replaced with a 10% unoccupied discount which was the policy prior to the additional levy being introduced. This is usually for a short term period only i.e. 6 – 12 months. There have been around 20 – 30 cases considered and the additional levy removed temporarily.

Some cases are also referred from the Empty Homes Officer and where the owner is actively engaging with the Empty Homes Officer consideration is given to removing the additional levy and reduce to a 10% discount, again usually for a short period only.

4.3 Empty Homes Officer

To support the policy the Housing Service entered into a pilot shared services agreement to appoint an Empty Homes Officer to help taxpayers bring their empty property back into use. This post is part funded with Shelter Scotland and is shared with Dundee City Council and commenced in March 2016.

The Empty Homes Officer works proactively with owners to bring properties back into use. The Empty Homes Officer currently has 48 open cases and a total of 13 unoccupied properties have been brought back into residential use through direct help and assistance from the empty homes officer since the engagement process began.

Surveys carried out with empty home owners have helped to highlight the main reasons properties lay unoccupied for considerable periods of time. 48% of responders state renovations are required and 32% were actively trying to sell. These surveys have also helped to assess the condition of the unoccupied stock with 15% of surveyed individuals highlighting their property was in very poor condition.

The initiative also provides owners with a range of incentives introduced to help and encourage the owners of unoccupied properties to return these to residential use. These include discounted rates from a number of national builder's merchants and assistance to access reduced rates of VAT on eligible renovation works if an owner is bringing a home back into use that has been empty for two years or more.

Empty Homes Loan Fund

The Empty Homes Loan Fund was initially introduced using a loan of £120,000 from the Scottish Government. The Fund provides interest-free loans to owners of unoccupied properties who are then required to let these homes at an affordable rate for a minimum of five years. This incentive has continued to progress encouragingly, with this initial fund now being almost fully utilised bringing 7 unoccupied properties back into residential use. This scheme has successfully contributed to the improvement of Angus by bringing empty homes back into use, while providing a cost effective measure of increasing affordable housing within the private sector.

The success of this Loan Fund can be defined by the Council's decision to provide a further £120,000 funding to support the scheme moving forward.

The issue of empty flats above shops on our High Streets has been a common theme in the Charettes that have been held in each Burgh. The intention is to look at options to help this sector in particular as part of wider initiatives to re-invigorate town centres.

4.4 Second Homes

The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2016 now allow the Council not to award a discount in respect of 2nd homes.

Currently there are 528 second homes receiving a 10% discount to the value of £53,000 annually.

4.5 Policy Options Long Term Empty Properties

a) No change – although the numbers of long term empty properties have remained fairly static we know that a number of properties have been brought back into use since the policy was introduced. The existing policy encourages owners to bring properties back into productive use and is raising additional income for affordable housing which is a positive contribution towards improving the housing supply in Angus. The existing policy has also resulted in an increasing engagement with empty homes owners and a lack of complaints.

The administration of the additional levy in its current format has been contained within existing resources by the Revenues & Benefits service and is regarded as simple, efficient and fair given the application of discretion for particular circumstances.

b) Policy targeting in specific areas or categories – there is little evidence of any other discretionary policies being adopted across the country and there is no evidence a change in policy would be beneficial or more effective in Angus. Whilst refinements to the existing policy e.g. additional discretionary categories could be adopted this will introduce an additional burden of administration which in the current financial climate is not sustainable and also a problem of evidence.

c) Reduce the additional levy – after consulting other Councils who have implemented a similar policy there have been no subsequent changes to reduce the additional levy. To do so would reduce the money available to support increasing the supply of affordable housing and do little to incentivise owners to bring long term empty properties back into use.

4.6 Policy Options 2nd Homes

a) No change – continue granting a 10% discount for those owners of 2nd homes.

b) From 1 April 2017 no longer grant a 10% discount to 2nd homes with the owners of these properties thus becoming liable for the full Council Tax charge.

5. PROPOSALS

Long Term Empty Properties

The existing policy is considered to strike the right balance – it is simple but flexible and it provides an incentive to property owners to bring properties back into use. The existing policy also provides funds to increase housing supply and allows the Council to provide support to home owners in this respect. On this basis no change to the existing policy is recommended – the Council would continue to levy the 100% additional charge.

2nd Homes

It is recommended the Council use the legislative discretion recently made available and from 1 April 2017 no longer grant a 10% discount to 2nd homes. It is also recommended that the additional income raised from this policy change (circa £53,000 p.a.) be used for affordable housing purposes.

6. FINANCIAL IMPLICATIONS

6.1 The maximum potential amount which can be raised by no longer granting a discount on 2nd homes is £53,000. There is no restriction on how this income can be used but it is recommended it be used for affordable housing purposes.

6.2 There will be costs associated with informing Council Tax payers of the policy change on 2nd homes but these would not be significant and will be absorbed within existing budgets. Administration and collection of sums due would be handled by existing staff within the Revenues & Benefits service.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013
- The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2016

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