

PERTH AND KINROSS COUNCIL

26 June 2013

Empty Properties – Council Tax Changes

Report by Executive Director (Housing and Community Care)

PURPOSE OF REPORT

The purpose of this report is to provide information on and to propose the level(s) of Council Tax discounts and/or variations to be set for unoccupied dwellings; in line with the powers available under the terms of the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013.

1. BACKGROUND / MAIN ISSUES

- 1.1 The Scottish Government and Perth & Kinross Council are committed to encouraging owners to return empty dwellings back into the market and increase the supply of affordable housing.
- 1.2 In 2005 the Council implemented Scottish Government legislation and reduced the Council Tax discount available for unoccupied properties, from 50% down to the minimum permissible level of 10% once the dwelling had been continually empty for 12 months.
- 1.3 The Scottish Government has now approved further regulations that increase councils' powers to vary council tax charges payable on unoccupied dwellings.
- 1.4 An "unoccupied dwelling" is a dwelling which is no one's sole or main residence but is not a second home.
- 1.5 A "second home" is a dwelling which is no-one's sole or main residence, but which is furnished, and in respect of which, during any period of 12 months, the person who is liable to pay the council tax that is chargeable can produce evidence to establish that it is lived in other than as a sole or main residence for at least 25 days during that period. For those dwellings deemed second homes, the regulations do not allow any further variance in the charge and a level of discount of between 10% and 50% must be awarded.
- 1.6 The regulations allow the Council to make different modifications for different cases or different classes of case, including for different areas. However, it cannot treat unoccupied dwellings owned by a social landlord more favourably than other unoccupied dwellings solely on the grounds of that ownership.

1.7 For unoccupied dwellings the legislation allows councils to award:

Where the Dwelling is unfurnished	
0 – 6 months	Full Exemption
6 – 12 months	A discount of between 50% and 10%
12 months +	A discount of between 50% and 10%, or: No discount, or: A surcharge of up to 100%

Where the Dwelling is furnished	
0 – 12 months	A discount of between 50% and 10%
12 months +	A discount of between 50% and 10%, or: No discount, or: A surcharge of up to 100%

1.8 The above table states the standard application of the regulations; however, as with previous regulations in this respect certain categories of unoccupied dwelling are afforded some protection from the scheme. These are detailed in Appendix A.

2. PROPOSALS

2.1 The following proposals aim to strike a balance between returning long term empty properties back into the market and allowing time for those affected to take appropriate action. There are three distinct decisions to be made in considering this report and one further proposal:

- I. The level(s) of variation to be implemented.
- II. Whether to make different modifications for different cases or different classes of case, including for different areas.
- III. When to implement any agreed policy.
- IV. Allocation of sufficient resources to implement and administer the changes.

The Level(s) of variation to be implemented

2.2 Perth & Kinross Council shares the Scottish Government's commitment to return long term empty dwellings to the market and is also mindful of the current financial climate with regard to the housing market.

2.3 It is therefore proposed that no surcharges are introduced at this time but are planned for future financial years.

2.4 Where a property remains empty beyond 12 months, no discount (or surcharge) will be awarded and the dwelling will become liable for a "normal" 100% charge.

2.5 For unoccupied dwellings, it is proposed that a 10% discount is awarded (rather than the 50% currently available) for the period to 12 months. A summary of points 2.3 to 2.5 is contained in Appendix B.

- 2.6 The 10% discount will be retained for up to 24 months where evidence is provided to show that the property is being actively marketed for sale or let (see Appendix A).
- 2.7 There is no proposal to amend the discount for second homes from the level previously set by Council. This would remain at the minimum level of 10%.
- 2.8 With the exclusion of administration costs, detailed below in sections 2.19 to 2.27, it is recommended that all Council Tax income received as a result of the changes is used to improve the availability of affordable housing in line with the legislative intention.
- 2.9 At this stage, given the changes in classification of second homes (see paragraph 1.5 above), the new protection introduced for properties actively marketed for sale or let and the intention that long term empty homes are returned to the market; it is extremely difficult to forecast the action those affected may take and the potential increase in Council Tax income.
- 2.10 Appendix C gives an indication of the numbers of dwellings likely to be affected and the potential Council Tax income achievable through this process.
- 2.11 It should be noted that these figures are before any reclassification of unoccupied dwellings and that the nature of the policy is to reduce the number of unoccupied dwellings and hence the ongoing Council Tax income yield from the changes.

Whether to make different modifications for different cases or different classes of case, including for different areas.

- 2.12 It is proposed that the charging structure detailed above is applied to all dwellings within the Perth & Kinross Council area.
- 2.13 A move to modify the changes for different categories or areas may lead to difficulties from both an administration and equalities stance.

When to implement any agreed policy

- 2.14 There are several considerations to be made in this regard, the main one being to ensure that we communicate with customers likely to be affected by the changes and allow them time to consider the alternatives available to them.
- 2.15 Subject to approval of this report, it is planned that a full review of all empty dwellings will take place around July/August 2013 to identify which dwellings will be subject to the amended charges and which fall into a protected category, such as those being actively marketed for sale or let.
- 2.16 It is further planned that information on the various forms of support available to return the property to use will be provided as part of the review.

- 2.17 It would therefore seem reasonable to allow persons affected by the changes some time to take action and bring their property/ies into use, where they wish to avoid the financial burden that the changes will bring.
- 2.18 It is therefore proposed that the changes take effect from 01 April 2014 initially, and on a staged basis thereafter as reflected in Appendix B.

Ensure that sufficient resources are allocated to implement the changes

- 2.19 The previous paragraphs outline the need for consideration of the impact of the changes on our customers.
- 2.20 The regulations provide protection where certain criteria are met, such as the newly defined “second home’s” requirement to be occupied for 25 days a year and the protection where properties are actively marketed for sale or let.
- 2.21 Identifying such dwellings will involve a greater level of evidence gathering than has been required in the past.
- 2.22 Furthermore this may increase the number of appeals to the local authority from customers who believe that their dwelling should be deemed to fall into one of the protected categories.
- 2.23 These situations will create the need for a higher degree of analysis and information gathering, including property visits, and more frequent review of charges/discounts.
- 2.24 It is also anticipated that greater effort and resources will be required to collect the increased charges levied to enable the Council to meet its intended objectives.
- 2.25 The changes will therefore have a major impact on the Local Taxes team in terms of the administrative burden required.
- 2.26 While it is accepted that the purpose of this policy is to create and direct funds to bring long term empty property back into use there will be a need to fund the increased burden on Local Taxes administration.
- 2.27 It is therefore proposed that two further Local Taxes staff are recruited and funded from the income generated.

3. CONCLUSION AND RECOMMENDATIONS

- 3.1 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 give powers to the Council to vary the charges levied on unoccupied properties.

3.2 It is recommended that Council:-

- (i) Implement these regulations in order to encourage empty dwellings to be returned to use and, by doing so, to improve the provision of affordable housing with the Perth & Kinross Council area.
- (ii) Apply the changes to all applicable dwellings with no modifications for different classes or cases or areas.
- (iii) Apply the changes from 01 April 2014, to enable those affected to plan for the changes and/or take steps to have the properties occupied prior to the changes taking place.
- (iv) Increase charges for empty dwellings on a phased basis over a three year period from 01 April 2015 to 01 April 2017.
- (v) Approve that no more than £60,000 of the income generated is used to support the Local Taxes team in implementing and administering the changes, with all other income generated used to improve the provision of affordable housing.

Author(s)

Name	Designation	Contact Details
Kevin Fraser	Principal Officer (Local Taxes)	Address: Pullar House 35 Kinnoull Street Perth PH1 5GD Tel: 01738 475616 E-mail: kfraser@pkc.gov.uk

Approved

Name	Designation	Signature
David Burke	Executive Director (Housing and Community Care)	David Burke
Date 14/06/13		

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Council Text Phone Number 01738 442573

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

The undernoted table should be completed for all reports. Where the answer is 'yes', the relevant section(s) should also be completed

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	YES
Corporate Plan	YES
Resource Implications	
Financial	YES
Workforce	YES
Asset Management (land, property, IST)	YES
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	YES
Risk	None
Consultation	
Internal	YES
External	None
Communication	
Communications Plan	YES

1. Strategic Implications

Community Plan / Single Outcome Agreement

- 1.1 Encouraging long term empty dwellings back into use will assist the strategic objective of promoting a prosperous, inclusive and sustainable economy.

Corporate Plan

- 1.2 As with the Community Plan/Single Outcome Agreement, promoting a prosperous, inclusive and sustainable economy is a strategic objective of the Corporate Plan. Encouraging long term empty properties back into active use will assist in achieving this objective.

2. Resource Implications

Financial

- 2.1 Any changes to Council Tax discounts etc. will incur some software/system costs for testing and implementation.

- 2.2 The new regulations will also require a full review of all empty properties to ensure that they are properly defined under the terms of the regulations.
- 2.3 Extra Council Tax income which covers this should be generated, although the level of this is uncertain.

Workforce

- 2.4 Consideration should be given to the impact of the changes on the existing Local Taxes staffing resources in terms of ensuring accuracy of information received, the need for more frequent review and evidence gathering, potential collection difficulties, etc. It is estimated that an additional 2 staff are required to properly administer the changes.
- 2.5 The new regulations provide an opportunity to encourage empty properties back into use. It is anticipated that this will enhance the current service provided via the Empty Homes Initiative and the Vacant Property Initiative.

Asset Management (land, property, IT)

- 2.6 This policy has no direct impact on Asset Management, other than minor software/system changes
- 2.7 However it should be noted that the policy will relate to Council owned empty dwellings and a greater cost may be incurred in this respect.

3. Assessments

Equality Impact Assessment

- 3.1 The content of this report has been assessed as not relevant for the purposes of an Equality Impact Assessment under the Equality Act 2010.

Strategic Environmental Assessment

- 3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.3 However, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.4 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.

- 3.5 However, no action is required as the Act does not apply to the matters presented in this report.

Legal and Governance

- 3.6 The legal framework for this report is fully contained within the Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012 and the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013

Risk

- 3.7 There are no key risks associated with the proposals which have not been addressed elsewhere in the report.

4. Consultation

Internal

- 4.1 Internal consultation has taken place within the Revenues & Benefits Service and the Housing and Community Care Senior Management Team.

External

- 4.2 There has been no external consultation other than discussions within the Institute of Revenues Rating & Valuation (IRRV) forum meeting.

5. Communication

- 5.1 In order to implement whatever changes are agreed it will be necessary to review all empty dwellings to ensure that they are properly classified in order to ensure that the proper charge is levied.
- 5.2 It is anticipated that this review process will provide opportunity to communicate any impact to those affected and also to provide information regarding support and assistance that may be available to them.

6. BACKGROUND PAPERS

- 6.1 No background papers other than the statutory documents noted in 3.4 above have been used in the preparation of this report.

7. APPENDICES

Appendix A – Overview of Permitted Variances
Appendix B – Future Year Recommendations
Appendix B – Statistical Analysis

Protected Categories

Appendix A

Type/category of dwelling	Protection Allowed
Existing classes of exempt dwellings	All such cases are unaffected by the new legislation and the existing exemption continues.
Purpose built holiday homes and job-related dwellings	50% discount must be awarded where set criteria are met.
Dwellings that are actively marketed for sale or let	<p>An unoccupied dwelling that has been continuously unoccupied for less than two years, and where the liable party can provide evidence that the subject is being actively marketed for sale or let, is protected and must retain a discount for this period.</p> <p>Beyond the two year protected period it is treated as any other unoccupied dwelling.</p>
Dwellings undergoing major repair work	<p>Such properties continue to be exempt for up to 12 months (or the length of the works if not exceeding 12 months).</p> <p>If the property is sold after being empty for 12 months then the new owner is eligible for a 50% discount for the first six months they own the home and it remains unoccupied and unfurnished.</p>

Proposed Discounts/Variations on Empty Dwellings

Appendix B

Effective Date	Unoccupied and Unfurnished Dwellings	
	Discount for months 6 to 12 (Exempt up to 6 months)	Variance for 12+ months
01 April 2014	10%	Nil – i.e. 100% charge
01 April 2015	10%	130% of charge
01 April 2016	10%	150% of charge
01 April 2017	10%	200% of charge

Effective Date	Unoccupied and Furnished Dwellings	
	Discount for months 0 to 12	Variance for 12+ months
01 April 2014	10%	Nil – i.e. 100% charge
01 April 2015	10%	130% of charge
01 April 2016	10%	150% of charge
01 April 2017	10%	200% of charge

Statistical Analysis

Appendix C

At the time of Council Tax annual billing for Financial Year 2013/14 there were:

- 362 dwellings that were unoccupied and unfurnished for between 6 months and 12 months
- 592 dwellings that were unoccupied and unfurnished for more than 12 months
- 1826 dwellings that were second homes (under the previous definition)

The following table indicates the value of these reductions in respect of Financial Year 2012/13 and the indicative amounts that would have applied if the recommended charges were in place. It should be stressed that these are indicative figures only and will change (mainly due to the identification of protected cases i.e. actively marketed for sale or let) following the outcome of the planned review.

Dwellings that were unoccupied and unfurnished between 6 months and 12 months		
Current Position	Detail	Value
	50% discount	£165,317.48
Proposed Position	Detail	Value
	10% Discount	£33,063.50
Maximum increase in yield = £132,253.98		
Dwellings that were unoccupied and unfurnished for more than 12 months		
Current Position	Detail	Value
	10% Discount	£65,605.30
Proposed Position	Detail	Value
	No Discount	£0.00
Maximum increase in yield = £65,605.30		
Dwellings that were second homes (under the previous definition)		
Current Position	Detail	Value
	10% discount	£237,405.75
No change should the dwellings meet the new criteria. Unable to provide an estimate until review process completed.		

