

CONSULTATION ON THE REGULATIONS ON COUNCIL TAX CHARGES ON LONG-TERM EMPTY HOMES

1.0 SUMMARY

- 1.1 The Scottish Government launched a new consultation on the regulations on council tax charges on long term unoccupied homes in July 2012. This followed an earlier consultation undertaken between October 2011 and January 2012 on proposals for a council tax increase on long term empty properties to which this council responded. The Council supported the government's intention to reduce the number of empty homes, noted that other actions might have more of a success than adding a levy on the council tax, but welcomed the government's intention to broaden the range of options available. The Council's response was approved at the Executive meeting on 15 December 2011.
- 1.2 Since then, as there was broad support for the increase in council tax charges, The Local Government Finance (Unoccupied Properties etc.) (Scotland) Bill was introduced to the Scottish Parliament on 26 March 2012. If passed, this will provide enabling powers to increase the council tax, but the bill needs to be supplemented by further regulations, and this new consultation is on these proposed draft regulations. If the proposed bill and associated regulations are passed, the Council will need to consider if it wishes to exercise these new powers, and from what date. The intention is that it should be possible to bring in the changes from 1 April 2013.
- 1.3 It should also be noted that the Council approved a number of actions to tackle the problem of empty homes at the council meeting of 23 August 2012 which supports a comprehensive empty homes strategy. The Housing Service welcomes and supports the general principle of establishing incentives for bringing long-term empty homes back into use.
- 1.4 The consultation closes on 5 October 2012.

2.0 RECOMMENDATIONS

- 2.1 Note the context of the report.
- 2.2 Approve the draft response as detailed in the Appendix of this report as the Council's formal response to the Scottish Government proposals for the Regulations to enable a council tax increase on long-term empty homes.

3.0 DETAIL

- 3.1 The Council is being asked to submit its formal response to the Consultation on the council tax increase on long-term empty homes to the Scottish Government before the consultation closes on 5 October 2012.

3.2 The current legislation only permits councils to change the level of council tax discount on second homes and long term empty homes. This council has utilised this discretion and reduced the discount for both these classes of property to 10% with effect from 1 April 2005. The additional monies collected which are just over £1.8m per annum are ring fenced to the Strategic Housing Fund.

3.3 The Local Government Finance (Unoccupied Properties etc.) (Scotland) Bill was introduced to the Scottish Parliament on 26 March 2012, and this, along with these draft regulations which are being consulted on, would give the council powers to further increase the council tax charge for certain long-term empty properties, and allow councils to charge owners a penalty of £200 if they fail to meet new requirements to provide information about whether or not their home is occupied, or are found to have provided false information.

3.4 The proposed new regulations will:

- Allow councils to impose an increase of up to 100% of the relevant council tax rate for homes that have been empty for one year or longer (currently the minimum discount is 10%).
- Allow councils to offer a discount of between 10 and 50% for homes that are unoccupied for less than a year. Currently such homes are exempt from council tax for 6 months if they are unfurnished, then a 50% discount must be provided during the next 6 months. The exempt period will remain for unfurnished homes, but the ability to vary the discount will apply immediately after that period.
- Allow councils to apply different rates of discount or increase in different parts of their area or to increase council tax charges the longer a home has been empty.
- Require councils not to impose a council tax increase for two years after a home has become unoccupied where it is being actively marketed for sale or for let – these owners would still pay council tax, but would get a discount of between 10% and 50%.
- Define a long-term unoccupied home which can be subject to a council tax increase as one which has been unoccupied for 12 months or longer, which can be either furnished or unfurnished.
- Define a second home as a home which is not someone's main residence, but is occupied for a minimum of 20 days per year.

3.5 The regulations change the definition of a second home. At the moment the difference between second homes and long term empty properties is that second homes are furnished. Empty homes get 100% exemption from council tax for 6 months, then 50% discount for 6 months, and then 10% discount thereafter. Second homes just get 10% discount. We do not check if a second home is furnished or not, we simply give the 10% discount if the owner is registered for council tax at another address and the property is no-one's sole or main residence. In future, a second home will need to be occupied for at least 20 days per annum in order to retain its status. If it is not occupied for this minimum time period, it will be classed as unoccupied and, after 12 months of being classed as unoccupied, could potentially be subject to double council tax – this would be subject to council decision. This decision would need to be made well in advance of billing for a new council tax year in order to give council tax payers appropriate notice of the change.

- 3.6 If the council were to exercise its discretion to charge double council tax on long term empty properties in order to provide additional incentives to bring these back into use, there is no clear evidence that this will have the desired effect, and it could potentially have some counter-productive effects. Owners could change the status of their properties to self-catering properties which would reduce the revenue to the council and not necessarily ensure the property was better used (it just has to be available for letting – not actually let for any minimum period). Others may find it difficult to pay the increase. Often it is lack of funds that inhibits an owner from renovating a property and bringing it back into use. Council will need to consider all these factors carefully before deciding if it wishes to exercise these new powers if they are enacted.
- 3.7 The draft response makes comment on the practicalities of the definitions proposed new categories of property, on the proposed discretion for homes unoccupied between 6 and 12 months, protection for owners actively trying to sell or rent their properties, flexibility to exempt certain other categories, transitional provisions, and requirements to provide information about the occupation of properties.

5.0 IMPLICATIONS

- 5.1 Policy: None at this time. Council will be required to approve a new policy should these new regulations be brought into effect in relation to the reduction of council tax discount from 10% to 5% as the legislation under which that policy was made would be repealed.
- 5.2 Financial: None at this time. Will affect levels of council tax revenues and amounts ring fenced to the Strategic Housing Fund
- 5.3 Legal: Bill and associated regulations will need to be complied with once enacted.
- 5.4 HR: None
- 5.5 Equalities: Potential financial impacts on owners of second homes and long term empty properties. No information if protected groups could be adversely affected.
- 5.6 Risk: None at this time. If discretion exercised to increase council tax, then would expect some risk of increased non-payment.
- 5.7 Customer Service: None at this time. Will need to give requisite notice to all council tax payers affected by the legislation once enacted.

6.0 APPENDICES

- 6.1 Draft response to Scottish Government on the Regulations to enable a council tax increase on long-term empty homes.

Background Papers

Consultation on proposal for council tax on long term empty homes: Executive 15 December 2011

Strategic Housing Finance Review – Increasing Access to suitable, affordable housing: Council 23 August 2012

The full consultation paper can be found at:

<http://www.scotland.gov.uk/Publications/2012/07/9137>

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