

Cabinet – 8 February 2023

Council Tax Premium

Portfolio: Councillor Ali - Customer

Related portfolios: N/A

Service: Customer Engagement

Wards: All

Key decision: No

Forward plan: Yes

1. Aim

- 1.1 To encourage owners of long term empty properties and those not being used as someone's sole or main residence to bring those properties back into use

2. Summary

- 2.1 Under Section 11A & 11B of the Local Government Finance Act local authorities have wide ranging discretion on the amount of Council Tax it levies on empty properties.
- 2.2 Legislation is currently going through parliament via the Levelling Up & Regeneration Bill (the bill) which will provide authorities with the following additional discretion
- Levy a 100% premium on unoccupied and unfurnished properties after 1 year (currently 2 years)
 - Levy a 100% premium on unoccupied but furnished properties from the day it first becomes unoccupied

3. Recommendations

- 3.1 That Cabinet recommends to Council that, from 1 April 2023, the length of time before being able to charge council tax premium, for properties that have been empty and unfurnished for more than 1 year, be reduced to one year rather than current two.
- 3.2 That Cabinet recommends to Council the introduction of a 100% council tax premium from 1 April 2024 for furnished properties that are no-ones sole or main residence.

- 3.3 That Cabinet delegates to the Executive Director for Children’s and Customer Services, in consultation with the relevant Portfolio Holder, authority to amend the recommendations to Council in the event of any changes to the Bill during its passage through the legislative process.

4. Report detail - know

Context

- 4.1 The ability to levy a council tax premium on long term empty properties was first introduced in April 2013. The legislation was changed in 2019 to increase the premium to 100% for properties empty for more than 2 years and 200% for over 5 years and 300% if the property has been empty for over 10 years.

Certain empty properties are exempt from Council Tax, and as such, cannot be charged the premium. These include:

- Where the previous occupier has gone into care or hospital
- Where the owner has died and probate has not yet been granted
- Where the property has been repossessed or the owner is an un-discharged bankrupt.

The new legislation will provide authorities with the following additional discretion

- Levy a 100% premium on unoccupied and unfurnished properties after 1 year (currently 2 years)
- Levy a 100% premium on unoccupied but furnished properties from the day it first becomes unoccupied

Under the current proposed legislation both of these discretions come into force from 1 April 2024, however in relation to the second discretion (premium on unoccupied but furnished) the legislation contains a clause requiring the authority to make the determination at least one year before the beginning of the financial year to which it relates. Therefore if Walsall Council wishes to levy such a premium the determination would have to be made prior to 1 April 2023.

For the purposes of council tax legislation and the effect of the area covered by this report unoccupied means that the property is no-ones sole or main residence.

4.2 Unoccupied and unfurnished premium after 1 year

This is an extension of the current premium and reduces the time that a property as to be unoccupied and unfurnished before a premium could be levied. It also builds on the work already undertaken by the authority to reduce the number of empty properties in the borough and encourage the owners to bring such properties back into use.

The number of properties that currently would be subject to this change are

Band	Number
A	165
B	70
C	61
D	28
E	22
F	5
G	3
H	1
Total	355

Using the 2022/23 council tax levels this change would increase the council tax charge by £628,339 resulting in an increase in income to Walsall Council of £554,789 this being Walsall Council's share of the Council Tax bill.

4.3 **Unoccupied but furnished premium**

This is a completely new area for premiums and currently the one that is a major issue for councils in tourist locations.

The proposed legislation states that a local authority have regard to any guidance issued by the Secretary of State. Currently we have not received such guidance but anticipate that it may contains guidance as to circumstance when the premium should be not charged. These could include where the property is actively being advertised for sale or let, but we will have to wait for the actual guidance for confirmation.

The types of properties that could be included in this definition are

- Genuine second homes
- Unoccupied furnished lets
- Unoccupied properties but containing furniture – this may include properties up for sale or those furnished to avoid the premium being levied under the current legislation

The number of properties that currently would be subject to this change are

Band	Number
A	136
B	53
C	30
D	12
E	8
F	4
G	2
H	0
Total	245

Using the 2022/23 council tax levels this change would increase the council tax charge by £413,636 resulting in an increase in income to Walsall Council of £362,218. However it must be stressed that this is the maximum amount and is subject to reduction once the effect of the government guidance is known.

Council Plan priorities

- 4.4 Increasing the funds received by the Council from council tax has a direct positive impact on the Council's abilities to deliver the EPICC (Economic, People, Internal Focus, Children, Communities) priorities identified in the corporate plan. The alternative to this proposal would be that additional money will need to be found by changing, reducing or ceasing other council services or raising council tax overall. It is likely that cuts to other Council services, or raising council tax, will have a greater detrimental impact on communities than this proposal.

Risk management

- 4.5 The opportunity to generate additional income for the council by introducing the changes needs to be balanced with the individual's ability to pay the council tax that became due.

The budgeted council tax collection rate is 98.0%. It is envisaged that the proposal should not alter the overall collection rate significantly.

Financial implications

- 4.6 Caution has to be had with these projected additional income stated. In the proposed legislation for unoccupied but furnished properties there is a clause stating that local authorities must have regard to central government guidance. Such guidance as not yet been issued but could include a provision which excludes properties where homeowners can demonstrate that their properties are genuinely on the market for sale or rent from being charged the premium.

Legal implications

- 4.7 The power to levy a council tax premium for long term empty properties is contained within Section 11B of the Local Government Finance Act 2012. The proposed change (reducing the time limit from 2 years to 1 year) is currently going through parliament via the Bill. These change in the legislation only comes into effect from 1 April 2024.

The same Bill introduces Section 11C of the Local Government Finance Act 1988 which allows a 100% premium to be levied on properties which are no-ones sole or main residence but are furnished,

There are no time limits on this premium however the legislation contains the following provisos

- A billing authority's first determination under this section must be made at least one year before the beginning of the financial year to which it relates
- In exercising its functions under this section a billing authority must have regard to any guidance issued by the secretary of state

Procurement Implications/Social Value

4.8 There are no procurement implications.

Property implications

4.9 There are no property implications.

Health and wellbeing implications

4.10 The proposal has the potential to have a positive impact on health and wellbeing by enabling council services to be maintained.

Reducing Inequalities

4.11 The council holds data on the liable person (i.e name and address) for the empty properties but no records that might identify any disadvantaged groups from this data. The changes would be applied across all qualifying properties and the proposal is specifically property (not person) related.

Staffing implications

4.12 There are no staffing implications.

Climate Impact

4.13 There are no climate implications.

Consultation

4.14 Consultation is non-statutory for this proposal; however it is been undertaken.

A controlled postal survey was conducted between 19 December 2022 and 27 January 2023 with questionnaires mailed to the 600 taxpayers who, at the time, meet the criteria that would have been subject to the new premium and a random sample of the same number of taxpayers not subject to the premium. This was to ensure that the sample included residents who would be directly affected and those that would not. The questionnaire asked the recipient if they were in favour of the introducing either, all or none of the premiums and asked for any additional comments.

In total 28 responses had been received:

- 18 were in favour of no changes
- 4 were in favour of reducing the time limit to one year before a premium is charged on unoccupied and unfurnished
- 2 were in favour of introducing the premium on second homes
- 4 were in favour of introducing both changes

16 out of the 18 that favoured no change were consultees that currently are liable for council tax on a property that would have been subject to the premium under the proposed rules.

Of the four that were in favour of introducing the premium on 'second homes' were in the affected list 3 would have been affected by the changes.

Both of the consultees in favour of just introducing the premium on second homes were in the affected group but would have been affected by the reduction in time for unoccupied and unfurnished properties

All of those in favour of introducing both changes were from consultees that would not be affected by the proposed changes.

In addition one response raised concerns that they felt the proposals would be unfair to married couples compared to unmarried couples and that the proposals could lead to extra charges to parents helping children onto the property ladder.

5. Decide

- 5.1 An alternative to the recommendation in this report is not to make the changes to when a council tax premium is levied but this would lead to potentially missed opportunity to encourage owners to bring properties back into use and forego the potential increase in income.
- 5.2 Cabinet is requested to approve the recommendations made in section 3 of this report.

6. Respond

- 6.1 In the event that Council approves the new premiums then the Council must publish notice of its decision in a local newspaper with 21 days of its decision will be published online and the premiums will be included in the 2024/25 annual billing.

7. Review

- 7.1 The number of properties subject to a council tax premium through these changes will be subject to regular review and be included in future council tax base calculations. The extra council tax raised will be included in the monitoring of the collection fund.

Appendices

None

Background papers

None

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Signed

Signed



Sally Rowe
Executive Director
Childrens and Customer
31 January 2023



Councillor Ali
Portfolio holder

31 January 2023