

Finance and Resources Committee

10.00am, Thursday 29 October, 2015

Council Tax Empty Properties - Procedure Review

Item number	7.8
Report number	
Executive/routine	
Wards	

Executive summary

The Scottish Government and the City of Edinburgh Council (Coalition Pledge 10) are committed to encouraging owners to return long term empty properties back to the market and increase the supply of affordable housing.

On 21 March 2013 the Finance and Budget Committee approved a revised charging procedure designed to reduce the number of empty properties in the city. This included a 50% Council Tax reduction, for up to 24 months, for properties that are actively being marketed for sale or let. Empty properties that do not fall in to this category are subject to a 100% Council Tax surcharge on homes unoccupied for a period of 12 months or more.

The procedure was implemented on 1 January 2014 and this report details the outcomes of the first 15 months of operation:

- the main policy objective of reducing the number of long term empty homes in Edinburgh is currently being met;
- there has also been a significant increase in the number of properties being marketed for sale or let; and
- when the higher charge is fully collected, and offset against the discounted charge for properties being marketed this results in a potential net income gain of £141k.

Council Tax Empty Properties - Procedure Review

Recommendations

- 1.1 It is recommended that Committee:
 - 1.1.1 notes that the implementation of the revised empty property procedure in 2014 has successfully reduced the number of long standing empty properties in Edinburgh;
 - 1.1.2 approves the proposal to reduce the discount applied to empty properties that are actively being marketed for sale or let from 50% to 10%, with the 200% charge still being applied after 24 months. This would be introduced from 1 April 2016; and
 - 1.1.3 approves ring fencing £75k from the additional Council Tax collected to support the Council Tax administration process.

Background

- 2.1 In 2005 the Scottish Government introduced legislation in an attempt to return long term empty properties to the market and increase the supply of housing in Scotland. The legislation enabled councils to modify the 50% council tax discount available on empty and unfurnished properties to between 10% and 50%. This modification only applied where a property had been empty for 12 months, with any additional revenue ring fenced for affordable housing. As a result in July 2005 the Council reduced the discount available for properties that had been empty and unfurnished for 12 months to 10%.
- 2.2 The Scottish Government then implemented the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 that allowed councils to further vary the discount and, in some cases, increase the level of council tax payable on unoccupied properties.
- 2.3 On 21 March 2013 the Finance and Budget Committee approved a new empty property procedure that included a 50% Council Tax reduction, for up to 24 months, for unoccupied properties actively being marketed for sale or let. Properties that do not fall in to this category are subject to a 100% Council Tax surcharge, if the property has been unoccupied for a period of 12 months or more. These arrangements are consistent with the Council's commitment to encourage owners to return long term empty properties back to the market and increase the supply of affordable housing in Edinburgh.

Implementation

- 3.1 The Council's current empty property procedure was implemented on 1 January 2014. To support the arrangements 3,500 letters were issued to owners of empty properties advising them of the new charges and enclosing a promotional leaflet for the services provided by the Council's Empty Homes Task Force Team.
- 3.2 This contact and the normal annual billing process generated a range of enquiries to the Empty Homes and Council Tax teams and advice and guidance was provided on the procedure. This included further information on a national scheme that provided financial assistance, in the form of a loan, to bring empty properties back to a standard that they could be occupied again.
- 3.3 Following the initial increase in contact the number of Council Tax payers querying the empty property charge has diminished. There are however relatively regular queries that are both complex and resource intensive to resolve. This has created some resource pressures.
- 3.4 There are many reasons why properties remain unoccupied and the personal and financial circumstances of property owners vary greatly. The existing procedure operates within the principles of the Council's Corporate Debt Policy, whereby charges are raised in a proportionate and transparent manner, while also considering an individual's circumstances, including hardship.

Procedure Outcomes

- 3.5 Over the 15 month period from January 2014 to March 2015 the procedure has delivered a number of positive outcomes:
 - the number of properties subject to the long term empty charge reduced by **14.3%** (125 fewer properties); and
 - the number of empty properties being actively marketed for sale or let increased by **56.5%** (460 more properties).
- 3.6 The decrease of 125 long term empty homes is a positive result that aligns with the overall policy intention of reducing the number of long term empty homes in Edinburgh.
- 3.7 In addition the increase in properties being actively marketed indicates that owners are being more proactive in trying to sell or rent their unoccupied properties. These owners benefit from a significant 50% Council Tax discount for up to 24 months, whilst also delaying the 100% Council Tax surcharge being levied against them.
- 3.8 The procedure has also delivered processing benefits as landlords are advising the Council of tenancy changes at the earliest opportunity. Previously late notifications led to billing delays and difficulties in collecting Council Tax from

tenants that had moved in and out of properties without the Council being made aware of the liability changes.

- 3.9 Over the same 15 month period the additional Council Tax levied through the new charge was £843k, with potential revenue of £702k lost due to the increased Council Tax discount applied for properties being actively marketed for sale or let. When the charge is fully collected this will result in a net income gain of £141k for the Council.

Procedure Update Proposal

- 3.10 The existing procedure has successfully reduced the number of empty/unoccupied properties within Edinburgh. At the same time it has offered a significant benefit to empty property owners in Edinburgh by way of a 50% reduction, for up to 24 months, for properties that are being marketed for sale or let. There is evidence that those benefiting from this incentive are owners whose properties are empty for a relatively short space of time e.g. between tenancies. Since the introduction of the discount until July 2015, Council data highlights that the average length of discount is 37 days, and that half of all discounts are awarded for two weeks or less. This supports the conclusion that discounts are being awarded for short periods.
- 3.11 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 provides Scottish councils with flexibility over the Council Tax charges that can be raised on empty dwellings. As a result there is scope for the Council to reduce the 50% discount for actively marketed properties to 10%. This level of discount would bring it in line with the previous discounts offered for empty properties, while still providing an incentive to market the property and also delaying the implementation of the 100% surcharge for a maximum of 24 months. This potential change is outlined in Appendix 1.
- 3.12 Based on the Council's initial caseload, reducing the discount from 50% to 10% would have potentially generated an additional £701k during the period 1 January 2014 to 31 March 2015. This assumes that all of the liability is collected, however, it is likely to be reduced by some level of write off or collection delay. For comparison in-year Council Tax collection is typically around 95% of the charge levied.
- 3.13 Any proposal to amend the sale or let discount will potentially impact on a significant number of property owners. It is therefore essential that any arrangements are implemented in a managed way and that customers are given notice of the changes. In addition any changes proposed would need to be supported by an information campaign, developed in consultation with the Empty Homes Team.

Measures of success

- 4.1 The key measure of success is the reduction of long term empty properties in Edinburgh, consistent with Coalition pledge 10.

Financial impact

- 5.1 The implementation of the 100% surcharge for long term empty properties has increased Council Tax revenue for the 15 month period from 1 January 2014 to 31 March 2015:
- 1379 Council Tax accounts levied with the additional Council Tax 100% surcharge, at some stage, during the period.
 - Generating potential additional income of £842k of which £770k has been collected up to 31 March 2015.
- 5.2 The implementation of the 50% discount for properties actively marketed for sale or let reduced Council Tax revenue over the same period:
- 11,901 Council Tax accounts had the increased 50% discount awarded, at some stage, during the period, generating charges of £ 877k of which £ 833k has been collected up to 31 March 2015.
 - However the increase in the marketing/let discount from 10% to 50% resulted in an income reduction of £ 701k (the 40% difference between the historical 90% charge and the current 50% charge).
- 5.3 When the potential additional income of £842k income is fully collected this will create a net benefit to the Council of £141k.
- 5.4 As detailed at 3.13 the proposal to reduce the available discount from 50% to 10% would have potentially generated an additional £ 701k during the period 1 January 2014 to 31 March 2015. This assumes that all of the liability is collected however it is recognised that this would be reduced by some level of write off
- 5.5 When the current policy was approved in March 2013 it was highlighted that implementation and enforcement activities would require significant recovery and administration resource. These changes have resulted in extra workload, with a focus on complex cases that require investigation, dedicated visits to establish occupancy, detailed follow-ups and an increased number of appeals. To continue to support and implement the proposed changes in this report and the wider Council Tax administration it is estimated that an extra £75k of staff resource is required. This would be met from the projected increase in Council Tax, detailed in paragraph 5.4

Risk, policy, compliance and governance impact

- 6.1 The procedures are regularly reviewed for ongoing compliance with relevant policies, such as the Corporate Debt Policy.

Equalities impact

- 7.1 The Scottish Government's consultation exercise included an Equality Impact Assessment that concluded that the legislation was not expected to lead to negative impacts on particular equalities groups.

Sustainability impact

- 8.1 A reduction in unoccupied properties will have positive environmental and economic benefits by increasing the number of homes available for individuals and families.

Consultation and engagement

- 9.1 The existing empty homes policy was developed in consultation with the Council's Empty Homes Task Force. It was widely communicated to affected property owners before the effective date of 1 January 2014, with advice and guidance on the changes. This early intervention allowed property owners to consider their options and take appropriate action.
- 9.2 Any further change to the Policy would require a similar engagement programme and it is recommended that any change to the procedure would be introduced from April 2016.

Background reading/external references

[Corporate Debt Policy](#) - Corporate Policy and Strategy Committee, Tuesday, 3 September 2013 and update

Empty Properties – Council Tax Changes – Finance and Budget, Tuesday 21 March 2013

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Links

Coalition pledges	P8 - Make sure the city's people are well-housed P10 - Set up a taskforce to investigate ways to bring empty homes into use
Council outcomes	CO25 - The Council has efficient and effective services CO26 - The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives.
Single Outcome	SO1 - Edinburgh's Economy Delivers increased investment, jobs

Policy Overview

Type of property	Position	On date home becomes empty			
		0-6 months	7 to 12 months	13 to 24 months	24 months +
Unoccupied & unfurnished	Current CEC Position	No charge	10% discount	100% increase	
	Proposed CEC Position	No charge	10% discount	100% increase	
Unoccupied & furnished	Current CEC Position	10% discount	10% discount	100% increase	
	Proposed CEC Position	10% discount	10% discount	100% increase	
Unoccupied & unfurnished – actively marketing for sale or let Note 1	Current CEC Position	No charge	50% discount	50% discount	100% increase
	Proposed CEC Position	No charge	10% discount	10% discount	100% increase
Unoccupied & furnished - actively marketing for sale or let Note 1	Current CEC Position	50% discount	50% discount	50% discount	100% increase
	Proposed CEC Position	10% discount	10% discount	10% discount	100% increase

Note 1 Unoccupied dwellings that have been continuously unoccupied for less than two years and in respect of which the person who is liable to pay council tax that is chargeable can produce evidence to establish that – it is being actively marketed for sale or let on terms and conditions, including proposed price or rent, which are appropriate for sale or let of the property and an offer to purchase at that price or pay such a rent would be accepted by the owner or would be likely to lead to creation of a tenancy