

# Finance and Budget Committee

10.00am, Tuesday 21 March 2013

## Empty Properties – Council Tax Changes

Item number	<b>7.5</b>
Report number	
Wards	All

### Links

---

Coalition pledges	<a href="#">P8, P10</a>
Council outcomes	<a href="#">CO25, CO26</a>
Single Outcome Agreement	<a href="#">SO1</a>

### Alastair D Maclean

Director of Corporate Governance

Contact: Neil Jamieson, Council Income Manager

E-mail: [neil.jamieson@edinburgh.gov.uk](mailto:neil.jamieson@edinburgh.gov.uk) | Tel: 0131 469 6150

# Executive summary

## Empty Properties – Council Tax Changes

### Summary

---

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

In 2005 the Council implemented Scottish Government legislation and reduced the council tax discount available for unoccupied properties. The Scottish Government has now approved further regulations that increase councils' powers to vary council tax discounts and increase the level of tax payable on unoccupied properties.

The Council's stance on empty properties was included in the coalition pledges, approved by the Council on 23 August 2012.

This report seeks authority to implement new council tax charges for relevant empty properties.

### Recommendations

---

It is recommended that Committee:

- 1 notes the content of the report and the implications of the Scottish Government legislation;
- 2 approves the revised council tax liabilities outlined in Appendix 2, specifically the intention to reduce council discount to 10% after 6 months, with a 100% increase after 12 months for empty and unfurnished properties;
- 3 notes the intention in section 2.6 to introduce the changes in the second half of the year; and
- 4 notes the Council's commitment to engage with affected property owners.

### Measures of success

---

The key measure of success will be the reduction of long term empty properties in Edinburgh. It is also anticipated that fewer empty homes will lead to a reduction in related property vandalism and anti-social behaviour.

## Financial impact

---

Income generated by the Council's 2005 decision to reduce empty property discount from 50% to 10% after 12 months will remain ring fenced for affordable housing as specified within the Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2005.

The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 widen councils' discretionary powers to raise additional council tax revenue and also determine how it is spent.

Based on the current number of empty properties within Edinburgh it is estimated that, if no properties are brought back into use, the application of an additional 100% charge could generate increased revenue of up to £2m per annum. This estimate is subject to a significant number of assumptions and does not reflect the intention of the new regulation, which is to reduce the number of empty properties.

While the new regulations do not change the proportion of the charge currently ring fenced for affordable housing, no proportion of any additional tax collected would automatically be used for affordable housing. Although the regulation's intended outcome is positive, it should be noted that the ring fenced sum for affordable housing would decrease in line with the number of homes brought back into use. There is also the potential risk that if the policy encourages inappropriate council tax classifications, ring fenced housing funds could be affected, while no benefit is realised in terms of homes brought back into use. This will require to be closely monitored.

In addition any properties owned by the Council, registered social landlords or supported accommodation providers will attract the new charges.

The enforcement of any policy change is likely to require significant recovery and administration resource. Initial estimates indicate annual costs of up to £100k as a result of system upgrades, eligibility reviews and staff administration. These costs will require to be funded from any additional income generated.

## Equalities impact

---

As part of the Scottish Government's consultation exercise an Equality Impact Assessment was completed. This concluded that the legislation would not be expected to lead to negative impacts on any particular equalities groups.

While it is not possible to say at this time whether any equalities groups will particularly benefit from the new regulations any increase in the housing stock may have indirect benefits e.g. tackling homelessness and addressing potential under occupancy issues relating to welfare reform (particularly given the number of Band A and B properties currently identified as unoccupied). These potential benefits need to be balanced against the risks identified in the financial impact section.

## Sustainability impact

---

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

---

In line with the relevant coalition pledge an Empty Homes Task Force has been established by the Council, with the objective of bringing empty homes back into use. The Task Force has representatives from all political groups, Shelter/Scottish Empty Homes Partnership, Orchard and Shipman and Link Housing Association. The remit of the group is to:

- review current actions to address empty homes in the private sector;
- take an overview of any service developed following the bid to the Empty Homes Loan Fund;
- consider using the proposed flexibility for charging higher Council Tax for empty homes; and
- consider setting up advice and support services for the owners of empty homes.

The ability to vary Council Tax for empty properties will be part of a strategy that is being developed by the Task Force. This strategy includes provision of advice and information about options and loans to support renovation work.

The recommendations in this report will potentially impact on a significant number of property owners across Edinburgh. Council records indicate that there are over 1700 properties entitled to long term empty discounts and approximately 5800 properties attracting second home discounts. These classifications will require to be reviewed for accuracy on an ongoing basis.

The implications of the new council tax arrangements will require to be effectively communicated to property owners to allow them to take appropriate action. It is therefore anticipated that the new regulations will not be enforced until the second half of the year at the earliest. This would be supported by a comprehensive information campaign, developed in consultation with the Edinburgh Empty Homes Task Force.

## Background reading / external references

---

Related external references

[The Local Government Finance \(Unoccupied Properties etc.\) \(Scotland\) Act 2012](#)

[Capital Coalition Pledges – Delivery and Performance, Council, 23 August 2012](#)

[The Council Tax \(Variation for Unoccupied Dwellings\) \(Scotland\) Regulations 2013](#)

## Empty Properties - Council Tax Changes

### 1. Background

---

- 1.1 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 existing 50% council tax discount available on empty and unfurnished properties to between 10 and 50%. This modification only applies where a property has been empty for 12 months, with any additional revenue ring fenced for affordable housing.
- 1.2 In July 2005 the Council reduced the discount available for properties that had been empty and unfurnished for 12 months to 10%. The revenue raised from this additional council tax charge has been used by Services for Communities to promote affordable housing in Edinburgh.
- 1.3 The Scottish Government announced in 2012 that it intended to lay new regulations to extend councils' powers to tackle empty properties. The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 will be effective from April 2013, and allow councils to vary the discount and, in some cases, increase the level of council tax payable on unoccupied properties.

### 2. Main report

---

- 2.1 The Scottish Government is committed to increasing the available property stock by encouraging owners of empty homes to bring them back into use. The proposed legislation is intended to give councils considerable discretion to achieve this aim.
- 2.2 The new arrangements enable the councils, in certain circumstances, to reduce the initial council tax discount to a minimum of 10% earlier than is currently allowed. It also permits councils, to charge up to an additional 100% council tax for properties that have been empty and unfurnished for a period of more than 12 months. The regulations also increase councils' powers to require owners to provide information and the ability to apply penalty charges for non compliance. A summary of the new powers is outlined in Appendix 1.
- 2.3 To effectively implement the empty property policy it is proposed that the Council adopts a robust approach and reduces the council tax discount for empty and unfurnished properties to 10% after only 6 months. It is also proposed that after

12 months the council tax charge is increased by an additional 100% for empty and unfurnished properties. This would replace the current arrangement whereby a 50% discount applies after 6 months and a 10% discount is applied after 12 months.

- 2.4 These proposals are outlined in Appendix 2, which also provides further details of related property sub categories. The Council's ability to vary specific council tax charges is discretionary and the proposed approach recognises that more generous discounts should apply where the property is being actively marketed. For ease of reference Appendix 2 includes the Council's current policy, the discretionary elements of the new regulations and the Councils proposed application of the regulation.
- 2.5 The regulations will not change the proportion of council tax currently ring fenced for affordable housing. While the regulation's intended outcome is positive, the ring fenced sum directly applied for affordable housing will decrease in line with the number of homes brought back into use. In addition any properties owned by the Council, registered social landlords or supported accommodation providers will also attract any new charges.
- 2.6 The proposals will potentially impact on a significant number of property owners and it is essential that the arrangements are implemented in a managed way. As a result it is anticipated that any new policy would not be enforced until the second half of the 2013/4 and this would be supported by an information campaign, developed in consultation with the Edinburgh Empty Homes Task Force.
- 2.7 As part of the Council's preparations for the new regulations contact has been made with other local authorities to establish how they will be approaching the new regulations. Initial information suggests that there is no common approach, however, this reflects the discretionary nature of the regulations and, potentially, that empty properties are not as significant an issue for smaller and rural councils. Edinburgh will continue to liaise with other councils to identify opportunities for information sharing.

### **3. Recommendations**

---

- 3.1 It is recommended that Committee:
- 3.1.1 notes the content of this report and the implications of the Scottish Government legislation;
  - 3.1.2 approves the revised council tax liabilities outlined in Appendix 2, specifically the intention to reduce council discount to 10% after 6 months, with a 100% increase after 12 months for empty and unfurnished properties;

3.1.3 notes the intention in section 2.6 to introduce the changes in the second half of the year; and

3.1.4 notes the Council's commitment to engage with affected property owners.

## **Alastair D Maclean**

Director of Corporate Governance

### **Links**

---

<b>Coalition pledges</b>	<b>P8</b> - Make sure the city's people are well-housed <b>P10</b> - Set up a taskforce to investigate ways to bring empty homes into use
<b>Council outcomes</b>	<b>CO25</b> - The Council has efficient and effective services that deliver on objectives. <b>CO26</b> - The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives.
<b>Single Outcome Agreement</b>	<b>SO1</b> - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all.
<b>Appendices</b>	Appendix 1 Unoccupied Properties Appendix 2 City of Edinburgh Council Approach

### Unoccupied Properties Overview

- Continue to provide a full council tax exemption for empty and unfurnished homes for the first six months they are empty.
- Allow councils to offer a discount of between 10 and 50% for homes empty for between 6 and 12 months (currently a 50% discount must be provided during this period).
- Allow councils to charge up to an additional 100% (i.e. 200% in total) Council Tax for dwellings that have been unoccupied for over 12 months (or up to a maximum 50% discount).
- Allow councils flexibility 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 an increase for up to two years after becoming empty for homes being marketed for sale or let - these owners would still pay council tax (unless subject to another exemption), but would receive a discount.
- Define a long-term empty home as a home which is unoccupied, but can be furnished or unfurnished.
- Redefine unoccupied “dwelling home” and “second home”.
- Purpose built holiday homes and 2<sup>nd</sup> homes of persons living in job related dwellings are exempt from the modification legislation and still subject to 50% discount.
- Second homes used as holiday homes are excluded from changes – the Council’s 2005 position will remain, with owners entitled to a 10% discount.
- Require owners to provide information on the state and category of the property, and whether they are being undercharged if the property is unoccupied. A penalty may be charged if the owner fails to provide the appropriate information (Up to £500).
- Discretionary element, with councils allowed to decide if and when they will introduce the changes.



## 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	50% discount	10% discount	
	Regulation from 1/4/13	No charge	10-50% discount	50% discount to 100% increase	
	Proposed CEC Position	No charge	10% discount	100% increase	
Unoccupied & furnished	Current CEC Position	10% discount	10% discount	10% discount	
	Regulation from 1/4/13	10-50% discount	10-50% discount	50% discount to 100% increase	
	Proposed CEC Position	10% discount	10% discount	100% increase	
Unoccupied & unfurnished plus eligible for exemption from increase <b>Note 1</b>	Regulation from 1/4/13 (New Category)	No charge	10-50% discount	10-50% discount (as long as the owner remains eligible for the exemption from increase)	50% discount to 100% increase
	Proposed CEC Position	No charge	50% discount	50% discount	100% increase
Unoccupied & furnished plus eligible for exemption from increase <b>Note 1</b>	Regulation from 1/4/13 (New Category)	10-50% discount	10-50% discount	10-50% discount (as long as the owner remains eligible for the exemption from increase)	50% discount to 100% increase
	Proposed CEC Position	50% discount	50% discount	50% discount	100% increase
Second home	Current CEC Position	10% discount			
	Regulation from 1/4/13	10-50% discount			
	Proposed CEC Position	10% discount			
Home cannot be occupied due to undergoing major repairs <b>Note 2</b>	Current CEC Position	0% up to 12 months (or length of ongoing works not exceeding 12 months)		10% Discount	
	Regulation from 1/4/13	0% up to 12 months (or length of ongoing works not exceeding 12 months)		50% discount to 100% increase	
	Proposed CEC Position	0% up to 12 months (or length of ongoing works not exceeding 12 months)		100% increase	

<b>Unoccupied permanent or other temporary exemption</b>	<b>Regulation from 1/4/13</b>	No charge as long as exemption remains valid - then as for empty unfurnished/furnished (starting at the 6 months point)
	<b>CEC Position</b>	No charge as long as exemption remains valid - then as for empty unfurnished/furnished (starting at the 6 months point)
<b>Purpose-built holiday homes and 2nd homes of people living in job-related accommodation</b>	<b>Regulation from 1/4/13</b>	50% discount (as long as owner meets requirements for these discounts)
	<b>CEC Position</b>	50% discount (as long as owner meets requirements for these discounts)

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

Note 2 if the home is sold after it has already been empty for 12 months or almost 12 months, the owner is eligible for a 50% discount for the first 6 months they own the home.