

 <b>Executive – 5<sup>th</sup> January 2017</b>		<b>Agenda Item No.</b>  <b>3</b>
<b>Title</b>	Council Tax empty property exemption period	
<b>For further information about this report please contact</b>	David Leech Exchequer Manager 01926 456052 email: david.leech@warwickdc.gov.uk	
<b>Wards of the District directly affected</b>	All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	N/A	
<b>Background Papers</b>	N/A	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	Yes

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	12/12/16	Chris Elliott
Head of Service	12/12/16	Mike Snow
CMT	12/12/16	Chris Elliot, Bill Hunt and Andy Jones
Section 151 Officer	12/12/16	Mike Snow
Monitoring Officer	12/12/16	Andy Jones
Finance	12/12/16	Mike Snow
Portfolio Holder(s)	12/12/16	Cllr Whiting
<b>Consultation &amp; Community Engagement</b>		
<b>Final Decision?</b>	Yes	
<b>Suggested next steps (if not final decision please set out below)</b>		
To be considered by full Council		

## 1. Summary

- 1.1 This report provides details of a proposal to remove the council tax one month exemption period in respect of empty properties that are unoccupied and unfurnished. The proposed change, if approved, would take effect from 01 April 2017 and as a consequence would mean that council tax would be payable regardless of whether a property was occupied or empty. The liable person for the charge would be the person entitled to possession of the property which in many cases will be the owner/landlord but on occasions will be a tenant who may have vacated or not yet taken up occupation but still holds the tenancy.

## 2. Recommendation

- 2.1 It is recommended that the Executive approves a proposal to remove the council tax one month empty property exemption period in respect of empty properties with effect from 01 April 2017.

## 3. Reasons for the Recommendation

- 3.1 The current policy which allows a one month exemption period once a property becomes unoccupied and unfurnished leads to confusion with taxpayers as the exemption relates to the property and not the taxpayer. Inevitably this can lead to repeated enquiries leading to disputes over occupation/vacation dates and often the Council can become involved in lengthy wrangling between landlords and tenants.
- 3.2 It will make it a lot simpler for the council tax payer to understand and will remove the number of enquiries about our policy on this matter. It will also remove the many administrative difficulties in establishing exemption start and end dates and determining the person entitled to the exemption.
- 3.3 Removing the exemption from empty properties provides an incentive to owners to reoccupy or bring property back into use as quickly as possible and reduce the number of empty properties.
- 3.4 At any one time there are on average approximately 165 properties in receipt of our current exemption. Based on the assumption that they are band D properties the Council could raise an additional £267,000 (approx £27,000 for WDC) in revenue from removing the exemption.

## 4. Policy Framework

- 4.1 Removing the exemption on empty properties should encourage owners to bring property back in to use which assists with meeting the Housing need in the area.

## 5. Budgetary Framework

- 5.1 Based on the recommendations, the additional revenue is set out below:-

	Revenue from removing exemption
Warwick District Council	£26,433
Warwickshire County Council	£207,459
Warwick Police Authority	£33,108
TOTAL additional revenue	£267,000

- 5.2 The Council incurs 100% of the administrative costs consequently, although not possible to quantify, there will be saving in terms of the time and resource not having to deal with the queries and issues arising from the exemption period. This time and resource from this policy change can be better used to help alleviate council tax backlogs.
- 5.3 Warwick District Council as a landlord would have increased pressure to bring down void periods between tenancies because during these periods there would be a small cost to the Housing Revenue Account.

## **6. Risks**

- 6.1 There is some possibility of bad publicity particularly from landlords of unfurnished property who would be under increased pressure to avoid gaps in tenancy periods otherwise they would incur a council tax liability. This does not affect Housing Associations as they still enjoy a separate 6 month national statutory exemption for empty properties.

## **7. Alternative Option(s) considered**

- 7.1 The Council has the discretion to award any exemption between 0 and 100% for any period up to 6 months. However, retaining an exemption period of any period of time will lead to the kind of administrative problems currently being experienced and whilst the existing period is only a month it could be a factor in slowing down the turnover of property as well as lost opportunity to raise additional revenue.

## **8. Background**

- 8.1 For Council tax purposes a property is classified as empty if it is unoccupied and unfurnished. The liable person for council tax is the person entitled to possession of the property which in many cases will be the owner but on occasions will be a tenant who may have vacated or not yet taken up occupation but still holds the tenancy.
- 8.2 Prior to April 2013 there was a national statutory 6 month exemption period from Council tax during which no rates were payable. After this 6 month period council tax at the full rate was levied regardless of how long the property remained empty.
- 8.3 With effect from April 2013 new legislation was introduced which abolished the national statutory exemption and gave Local Authorities greater freedoms in respect of certain exemptions/discounts relating to Council tax and in particular, empty properties. Consequently in place of the 6 month exemption Local Authorities had discretion to introduce a discount of any amount in between 0 and 100 % of the full charge for a period between 0 and 6 months following a property becoming empty.
- 8.4 In light of the new powers the Council resolved to introduce a full 100% exemption for a period of 1 month only in respect of empty properties. A full charge is payable thereafter up until a property has been empty for 2 years. At this point the Council, in taking advantage of another new discretion, introduced a premium charge whereby empty properties in excess of 2 years attract a premium charge of 150%.

- 8.5 Since 2013 the adoption of the 1 month exemption period has led to many administrative difficulties and disputes. The one month exemption period relates to the property and not the owner and this causes a lot of confusion with taxpayers. Consequently if someone purchases a property that has been empty for 2 weeks and keeps it empty they will only receive the benefit of a further 2 weeks whereas they will be expecting a full month. This inevitably leads to correspondence to clarify the situation. The Council tax team have found themselves in the middle of many landlord and tenant disputes which can result in protracted discussions/correspondence with both parties with the Council having to side wherever the evidence is greater. One recent case went all the way to Valuation Tribunal only to be dropped at the last minute after we had intervened and obtained evidence from a removal firm when a property had been cleared of furniture. This is time consuming for a team struggling to prevent backlogs in light of increased workload from the rapidly increasing new properties coming on stream.
- 8.6 We are aware that many local authorities have reviewed their position on this exemption since 2013 in light of their experiences and many have either reduced or removed the exemption completely (e.g. Coventry, Stoke, Rotherham, Poole). Our neighbouring Warwickshire Councils all continue to offer an exemption for differing periods as shown below.

Local Authority	Current empty property exemption period
Warwick	28 days
Rugby	6 months
Stratford	3 months
Nuneaton & Bedworth	3 months
North Warks	14 days

- 8.7 This policy change does not change the remaining statutory exemptions that are still applicable for situations such as where the property is owned by a deceased person's estate prior to probate or where a person has left a property to give care.