

REPORT TO: East Lothian Council

MEETING DATE: 17 December 2013

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Council Tax Discount on Long Term Empty Homes 2014/15

1 PURPOSE

- 1.1 To recommend removal of the Council Tax discount on domestic properties empty for 12 months or more and to increase the amount of Council Tax payable on certain long term empty properties.

2 RECOMMENDATIONS

- 2.1 Council is recommended to approve removing the 10% Council Tax discount on certain long term empty homes from 1 April 2014.
- 2.2 Council is recommended to apply additional council tax charges on certain long term empty homes in stages as follows:
- 50% after 24 months (applicable from 1 April 2015)
 - 100% after 36 months (applicable from 1 April 2016)

3 BACKGROUND

Empty Homes in East Lothian

- 3.1 Empty homes represent a wasted resource. The Local Housing Strategy 2012-17 identified making best use of the existing housing stock as a priority for increasing the availability of housing in East Lothian. This includes encouraging owners to bring empty homes back into use. There are currently approximately 346 properties in East Lothian which have been empty for six months or more.
- 3.2 The Council is participating in a shared services project with West Lothian, Fife, Scottish Borders and Dumfries and Galloway Council's which aims to bring empty homes back into use. Through the Homes

Again Project, owners are encouraged and supported to sell, rent or occupy empty homes.

- 3.3 A range of supportive measures have been put in place to encourage owners to make best use of their properties. This includes a proactive approach to contacting owners to offer information and advice, a matchmaker scheme to help owners identify potential buyers and supporting owners to reclaim VAT when renovating properties which have been empty for certain periods.
- 3.4 The Council has also developed an Empty Homes Loan Fund Scheme which provides interest free loans of up to £15,000 to enable owners of properties empty for six months or more to bring the property up to a lettable standard. Owners will be required to make their properties available for rent for a minimum of five years at a mid market rent.
- 3.5 The Loan Scheme is supported by funding of £150,000 from the Scottish Government. This funding must be repaid to the Scottish Government; 60% of the funding in 2019/20 and the remaining 40% in 2023/24. It is anticipated that between five and ten loans will be made available each year, however this figure will vary depending on the availability of funding within the recyclable loan fund pot and the identification of suitable applicants.

Proposed Changes to Council Tax on Empty Homes

- 3.6 In 2005 the Council reduced the discount awarded to empty dwellings and second homes to 10%, which, up to this point, is the minimum discount allowed under the Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2004. The additional revenue raised (above the maximum 50% discount) is ring fenced for the provision of affordable housing.
- 3.7 The Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012, passed in October 2012, enables local authorities to remove the discount on certain types of unoccupied homes and to increase the level of Council Tax payable on these properties by up to 100%. Regulations came into effect in February 2013. There are no amendments to charges applicable to second homes.
- 3.8 In February 2013, Council agreed to retain the 10% discount for long term empty homes for 2013/14 to enable officers to consider the implications of the new regulations.
- 3.9 It is proposed that from 1 April 2014, the Council should remove the current 10% discount on properties which have been empty for 12 months or more.
- 3.10 It is considered that removing the discount after 12 months would act as a further disincentive to owners not addressing issues which may be contributing to properties remaining empty. It is also anticipated that bringing in the change at 12 months will offer an opportunity for officers to engage with owners facing an increase in Council Tax liability and

encourage them to bring properties back into use as soon as possible, particularly as evidence suggests that the longer a property is empty the more difficult it may be to return it to use. Owners would continue to receive advice and assistance from the Homes Again Project regardless of the length of time the property has been empty.

3.11 The legislation states that owners of properties which are being actively marketed for sale or rent should not be affected by any removal of discount until the property had been empty for at least 24 months. During this time owners would be offered support to achieve a realistic outcome prior to the discount being removed.

3.12 It is also possible to increase the level of Council Tax payable on certain properties that have been empty for 12 months or more. This can be applied variably, for example:

- Apply an increase of up to 100% to relevant properties after 12 months
- Apply staged increases over a period of time

3.13 It is proposed that the level of Council Tax payable be increased beyond 100% in a staged way as follows:

- Additional 50% after 24 months (applicable from 1 April 2015)
- Additional 100% after 36 months (applicable from 1 April 2016)

By adopting this staged and incremental approach, owners of long term empty properties will be provided with a clear signal of the Council's intent but afforded reasonable time to consider the implications of the Council's decision.

3.14 In 2013/14 approximately £270K in Council Tax liability was raised against homes empty for 12 months or more, with a discount of £27K provided. Based on similar figures it is estimated that in 2014/15, around £25K could be raised as a result of removing the current 10% discount.

3.15 Applying additional council tax charges to long-term empty properties would provide an additional income stream to the Council which is not ring-fenced for any specific use, albeit this income stream would be very difficult to estimate with any certainty. If every current property which is currently empty were to remain empty, an additional £212,556 would be charged at 1 April 2015; however this scenario is both undesirable and unlikely. If, say, 25% of these properties were to be exempt because they were being marketed for sale or rent and 50% were to be re-occupied during that period, an additional £79,708 would be charged at 1 April 2015. If these same properties were to remain empty at 1 April 2016, an additional £79,708 would be charged at this point.

4 POLICY IMPLICATIONS

- 4.1 The proposals contained within this report will require a change to the Council's existing policy in relation to Council Tax discounts on empty homes and the proposed introduction of additional Council Tax charges on empty homes.
- 4.2 The proposals contained within this report will support delivery of the Local Housing Strategy 2012-17.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This Report is not applicable to the wellbeing of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 It is estimated that the Council could raise an additional £25K in 2014-15 as a result of the removal of the 10% discount for long term empty properties. The position in respect of future years is much more difficult to estimate but this could be as much as an additional £80K in each of the financial years 2015-16 and 2016-17 but this will be gross of the resource requirement referred to in Section 6.2.
- 6.2 There will be an additional resource requirement for the Revenues Council Tax Team in implementing this change.

7 BACKGROUND PAPERS

- 7.1 Member's Library Report on Empty Home Loan Fund Scheme [Members' Library Service - Report 209/13](#)
- 7.2 Council 12 February 2013 – Council Tax 13/14
http://www.eastlothian.gov.uk/download/meetings/id/14254/02_council_tax_2013-14

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