
Report To:	Policy & Resources Committee	Date: 7 February 2012
Report By:	Corporate Director Education & Communities and Chief Financial Officer	Report No: PR050/12/AH/DH
Contact Officer:	Drew Hall	Contact No: 01475 714272
Subject:	Consultation on Council Tax on Long-Term Empty Properties	

1.0 PURPOSE

- 1.1 This report advises Committee of a Scottish Government consultation paper on Council Tax on Long-Term Empty Properties and of the Inverclyde Council response to the consultation, which closed on 10 January 2012.

2.0 SUMMARY

- 2.1 The Scottish Government (SG) consultation sought local authorities' views on varying the levels of Council Tax discount on long-term empty (LTE) properties in order to increase revenue, which could then be used to support the development of affordable housing. Varying the level of discount available might also create an incentive for owners to bring LTE properties back into productive use and authorities were invited to provide comments.
- 2.2 The SG consultation also proposed the introduction of a Council Tax Levy on LTE properties, a policy and manifesto commitment arising out of previous SG housing papers. The consultation sought the views of local authorities on introducing legislation allowing them to remove the discount for LTE properties and to charge an additional Council Tax levy of up to 100%. Views were also sought on whether variations and exemptions to reflect local circumstances and local priorities should be permitted.
- 2.3 Local authorities were invited to attend SG consultation events on the above and Inverclyde Council was represented at the event held in Glasgow at the end of November 2011. A number of issues were raised by both finance and housing representatives during this event and these have been included in paragraph 6.1 below.
- 2.4 The closing date for the consultation was 10 January 2012 and the Safer & Inclusive Communities Service and Finance Services were obliged to provide responses to the SG in advance of the present Committee meeting. Committee is therefore invited to approve these responses retrospectively.

3.0 RECOMMENDATIONS

- 3.1 That Committee:
- Note the Scottish Government consultation paper on Council Tax on Long-Term Empty Properties; and
 - Approve the consultation responses submitted to the Scottish Government on behalf of Inverclyde Council.

Albert Henderson,
Corporate Director Education & Communities

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 There is an expectation on the part of SG that local authorities will provide funding from their own resources to support the development of new affordable housing in line with identified priorities in their Local Housing Strategies, Community Plans, and Single Outcome Agreements. There is also an expectation that local authorities will encourage the owners of LTE properties to bring them back into use to address identified shortfalls in housing provision. The SG appreciate that not all local authorities are in a position to directly subsidise the supply of affordable housing nor are they in a position to underwrite empty homes initiatives designed to reduce the number of LTE properties. The SG consultation on the above commenced on 19 October 2011 and sought local authorities' views on a range of measures that would allow for both an increase in revenue to support housing projects and incentives to bring empty homes back into productive use. The deadline for responses to the consultation was 10 January 2012.
- 4.2 Committee will recall that proposed alterations to the levels of Council Tax discount on LTE properties were approved at the meeting of 15 November 2011 and that these changes will come into effect as from the 2012/13 financial year. These agreed changes complement the main issues highlighted in the SG consultation document, particularly in relation to increasing funding for affordable housing and bringing empty homes back into use. It was noted in the report to Committee in November 2011 that SG consultation on LTE properties had commenced last October and that details of the Inverclyde Council response would be submitted to a future meeting of Committee.

PRC
15.11.11
Para 765

5.0 CONSULTATION RESPONSES

- 5.1 Inverclyde Council welcomes the proposed introduction of legislation that would give local authorities flexibility to increase the amount of Council Tax charged on LTE properties. If enacted, the legislation would allow councils to make a full charge for LTE properties and to apply an excess charge of up to 100% of the Council Tax payable on the properties. This means that owners of LTE properties could be charged up to double the standard rate of Council Tax. These proposed changes should encourage home owners to bring empty properties back into use, for rent or for sale, and would raise additional revenue allowing Inverclyde Council to fund affordable housing in the Inverclyde area.
- 5.2 The opportunity to make a direct financial contribution to the provision of affordable housing through increased Council Tax revenue is welcomed as Inverclyde Council no longer has a Housing Revenue Account that might have been used for this purpose. The Council's strategic partners in locally-based and national housing associations (RSLs) will also welcome any contribution that the Council is able to make given the well publicised reductions in SG housing budgets over the next few years and reductions in development subsidies (Housing Association Grant).
- 5.3 Inverclyde Council is actively promoting an empty homes initiative in partnership with local RSLs and a joint bid for SG Innovation and Investment Fund monies was made in 2011/12. Unfortunately this bid was unsuccessful and the Council would therefore welcome the opportunity to support this initiative by encouraging home owners to bring their empty homes back into productive use. This would also contribute to addressing the overall shortfall of housing identified in the Inverclyde Local Housing Strategy 2011-2016 (approved by the Safe, Sustainable Communities Committee in October 2011) and in the Glasgow and the Clyde Valley Housing Needs and Demand Assessment (June, 2011).
- 5.4 It is acknowledged that the administration of any scheme that relies on owners supplying accurate information on whether their property is empty and how long it has been empty is likely to be difficult. Local authorities also accept that reductions in discount levels and the possible introduction of a Council Tax Levy may create a disincentive for owners of empty homes. However it is also recognised that SG has taken cognisance of these potential difficulties and that appropriate measures to prevent avoidance and to secure the provision of accurate information are included in the consultation paper. Inverclyde

SSC
25.10.11
Para 698

Council service departments agree with the administrative measures as proposed.

6.0 SCOTTISH GOVERNMENT CONSULTATION

- 6.1 A consultation event hosted by SG was held in Glasgow on 21 November 2011 and this was attended by an Inverclyde Council representative. The general principles of increasing revenues and of providing incentives to owners to reduce the number of empty homes were welcomed by those attending. However concern was expressed at the potential administrative burdens of “policing” the changes to Council Tax charges and the disincentives arising out of the introduction of a surcharge on empty homes. Misreporting by owners and failure to report homes that are lying empty could cause difficulties although SG representatives stressed that measures to address these difficulties were included in the consultation paper.
- 6.2 Local authorities were concerned that they would not have the capacity to deal with increased charges and potential surcharges using existing resources and that the introduction of legislation could be counter-productive. Assurances were provided by SG that existing resources within local authorities should be adequate for the tasks arising out of the proposed changes and that efforts had been made to avoid any increased administrative burden or bureaucracy. Local authorities were encouraged to respond to the consultation paper to ensure that SG received as wide a range of views as possible.

7.0 IMPLICATIONS

7.1 Strategic

The ability to generate increased revenues and to service prudential borrowing will allow Inverclyde Council to progress various housing projects through the Strategic Housing Investment Plan 2012 – 2017. These projects will make a valuable contribution to several strategic aims and objectives as set out in the:

- Inverclyde Alliance Single Outcome Agreement;
- Community Plan; and
- Inverclyde Local Housing Strategy 2011-2016.

7.2 Financial

The financial implications of the proposed legislative changes cannot be assessed at present as Inverclyde Council would have to decide whether to implement the proposed changes to Council Tax charges and the variations to be applied, if any, to reflect local circumstances and priorities. Committee will be invited to consider this matter once the outcomes of the consultation and there is any subsequent legislation enacted.

7.3 Legal

Council Tax payers would have to be advised of any changes to the discount levels applied to LTE properties (i.e. those that have been empty and unfurnished for six months or more). This could be achieved by means of a notice included in the mailing advising Council Tax payers of the amount due for the appropriate financial year. The SG has indicated that the proposed changes will form part of the 2012/13 legislative programme in the Scottish Parliament therefore any increase in charges would only come into effect from the 2013/14 financial year.

7.4 Equalities

When delivering services to our customers, full cognisance is taken of equality and diversity processes and procedures.

8.0 LIST OF BACKGROUND PAPERS

- 8.1
 - Letter from Scottish Government Housing, Regeneration and Commonwealth Games Directorate re: *Local Authority Discretion to Reduce Council Tax Discount on Second Homes and Long Term Empty Properties*: March 2011
 - Scottish Government discussion document – *Proposals for a Council Tax Levy on Long-Term Empty Properties*: July 2011
 - Scottish Government consultation paper – *Council Tax on Long-Term Empty Properties and the Housing Support Grant*: October 2011