

**Manchester City Council
Report for Resolution**

Report to: Resources and Governance Scrutiny Committee - 7 February 2023
Executive - 15 February 2023

Subject: Changes to Council Tax charges for unfurnished, empty properties and second homes

Report of: Deputy Chief Executive and City Treasurer

Summary

The Government is planning to introduce further discretionary powers for Councils to:

- charge the 100% long term empty premium on empty and unfurnished homes after one year instead of two from 1 April 2024; and
- charge a higher rate of Council Tax for empty, furnished properties (including second homes) from 1 April 2024.

This report considers the impact of adopting this change.

Recommendations

The Resources and Governance Scrutiny Committee is requested to consider and comment upon the contents of the report.

The Executive is requested to:

1. approve the proposals contained in the report and
 2. note that the outcome of the ongoing consultation will be reported back to the Resources and Governance Scrutiny Committee and for final approval by the Executive at a future meeting.
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Wards Affected: All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	n/a

A highly skilled city: world class and home-grown talent sustaining the city's economic success	n/a
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Where possible the proposals have been considered to ensure that they do not have a negative impact on the transition into work or maintaining employment
A liveable and low carbon city: a destination of choice to live, visit, work	The changes to Council Tax discounts will have an impact on the city's property market, as by charging for empty homes and premiums for long term empty homes it is aimed that properties will be let and occupied more promptly.
A connected city: world class infrastructure and connectivity to drive growth	n/a

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Based on current figures and assuming there are no changes to the number of empty properties and the length of time they have been empty, the two proposed changes could generate an increase in Council Tax revenue as follows:

- Introducing a 100% premium on empty, furnished properties (including second homes) – up to £4,611,438
- Charging the Long Term Empty premium after one year instead of two – up to £1,227,198. This may reduce as owners are encouraged to bring these properties back on to the market for rent or sale, but any reduction would be offset by an increase in the New Homes Bonus paid by central government.

Financial Consequences – Capital

None

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Background documents (available for public inspection):

Report to Finance Overview and Scrutiny Committee on 6 September 2012 and the Executive Committee 12 September 2012.

Report to Resources and Governance Scrutiny Committee on 7 February 2019 and the Executive Committee on 13 February 2019.

1. Introduction

- 1.1. This report outlines changes Central Government are planning to introduce to the amount of Council Tax that the Council can charge for unfurnished properties that have been empty for more than one year and empty, furnished properties (including second homes).

2. Background - Long Term Empty (LTE) and empty, furnished properties

- 2.1. In September 2012, the Council agreed to adopt the current system of discounts and exemptions for empty properties from 1 April 2013. Amongst other discounts, this introduced a 50% LTE premium to be charged on properties that have been empty and unfurnished for more than two years. This meant that the liable owner would pay 150% of the normal rate of Council Tax while the property remained empty and unfurnished.
- 2.2. The stated purpose of this change was to encourage owners to bring their properties back into use, increasing the supply of housing in Manchester. On the face of it this appears to have worked. In September 2012 there were 1,300 properties attracting the LTE premium, currently there are 535.
- 2.3. The Council also agreed to remove the 50% discount that was previously given to empty furnished properties (including second homes), meaning these properties paid full Council Tax from the moment they became empty. In its place the Council agreed to offer a 100% discount from Council Tax for one month to allow landlords to redecorate as necessary and let to new tenants.
- 2.4. In February 2019, the Council agreed to adopt the revised system offered by the Government where properties empty and unfurnished for over two years were charged a 100% premium, those empty between five and ten years were charged a 200% premium and those empty for more than ten years were charged a 300% premium, meaning they paid quadruple the normal rate of Council Tax.
- 2.5. The Council also agreed to remove the one-month discount when empty, furnished homes became empty.

3. New Government Proposals

- 3.1. The Levelling Up and Regeneration Bill currently going through Parliament will give Local Authorities the power to charge the 100% LTE Premium after one year instead of two from 1 April 2024. It also gives Local Authorities the powers to charge a 100% premium on empty, furnished properties (including second homes) from the date that they become empty.

3.2. Charging the 100% Long Term Empty Premium after one year

- 3.2.1. There are currently 733 properties in the city that have been empty and unfurnished for between one and two years.

3.2.2. The table below shows the expected income from the additional properties charged the LTE Premium after 1 year, broken down by Council Tax Band, at current year Council Tax rates and assuming 100% of the additional revenue is collected.

Council Tax Band	Number of properties	Council Tax liability
Band A	333	£415,713
Band B	67	£97,552
Band C	82	£136,448
Band D	106	£198,432
Band E	65	£148,720
Band F	36	£97,380
Band G	33	£102,993
Band H	8	£29,960
Total	733	£1,227,198

There is no guarantee that the Council will collect 100% of this revenue as a result of behavioural change and non-payment by owners, this is likely to reduce the actual increased income at the level outlined above.

- 3.2.3. If charging the LTE premium after one year rather than two encourages owners to bring these properties back into use, the Council will benefit from an increase in the New Homes Bonus. This is paid by the Government to incentivise new developments or bringing existing empty, unfurnished properties back in to use.
- 3.2.4. The financial reward for the Council is significant. For every long-term empty, unfurnished property brought back into use, the Council receives a sum equal to the Council Tax for that property for each of the next four years.
- 3.2.5. Empty, unfurnished properties owned by Registered Social Landlords (RSLs) would not be affected by the addition of this premium as they qualify for a separate 100% discount due to their charitable status. However, in some circumstances, RSLs give tenants overlapping tenancies when they move from one RSL property to another. Under these circumstances, tenants would

be left with an increased liability at one property or the other which would not be eligible for Council Tax Support.

3.2.6. It is proposed that the Council adopts these powers from 1 April 2024, the earliest date allowed by the legislation.

3.3. **Charging a 100% premium on empty, furnished properties**

3.3.1. It is not possible to precisely identify the financial impact of charging the 100% premium on all empty, furnished properties. This is because this category includes genuine second homes as well as furnished rental properties that are temporarily empty between tenancies.

3.3.2. There are 2,846 properties that have been classed as empty and furnished for twelve months with no change to the liable person and it is reasonable to class these as genuine second homes. The table below shows the breakdown by Council Tax Band of these properties and the value of applying the 100% premium to those properties based on the current year Council Tax levels.

Council Tax Band	Number of properties	Council Tax liability
Band A	1,276	£1,592,945
Band B	448	£652,489
Band C	479	£797,305
Band D	355	£664,769
Band E	154	£352,459
Band F	87	£235,320
Band G	36	£112,354
Band H	11	£41,196
Total	2,846	£4,448,837

3.3.3. There are a further 2,525 properties that have been empty for less than 12 months and it is reasonable to assume that these are rental properties between tenants. Previous research has shown that these properties are empty for an average of 15 days between tenancies and the table below shows a breakdown of these properties by Council Tax Band and the expected revenue from introducing the 100% premium.

Council Tax Band	Number of properties	Council Tax liability
Band A	876	£44,823
Band B	506	£30,206

Band C	568	£38,751
Band D	387	£29,703
Band E	110	£10,318
Band F	57	£6,319
Band G	17	£2,174
Band H	2	£307
Total	2,525	£162,601

- 3.3.4. It must not be assumed that the additional £4,611,438 will all come to the Council as behavioural change by landlords and owners and non-payment will reduce the actual increase in revenue collected by the Council as a result of these changes.
- 3.3.5. The legislation allows the Council to increase the charge by up to 100%. This means a stepped increase could be possible.
- 3.3.6. In addition to the income that this change could generate there is currently a lack of move on accommodation for those who are currently supported in Temporary Accommodation. Approximately 3,000 households are in Temporary Accommodation and a key strand of the Council's Medium Term Financial Plan is to increase the supply of affordable housing in the City to reduce the numbers in Homelessness Temporary Accommodation and the financial impact that this is having.
- 3.3.7. It is proposed that the Council adopts the power to increase the charge on empty, furnished properties, but defers a final decision to use it until the current consultation exercise is complete and there is a better understanding of the effect of the changes and how the new powers may impact on the Council's wider housing strategy

4. Other exemptions

- 4.1. There are a range of other empty property exemptions from Council Tax available, the most common of which is where a property is wholly occupied by students. The number of these fluctuates through the year and peak at around 15,400 in June each year. A full list of other exemptions is contained in appendix 1.

5. Consultation

- 5.1. There is no statutory requirement on the Council to consult on this matter. However, we are keen to seek views/feedback on these proposed changes and following best practice, it is proposed to include any recommendations

made by this committee to amend any empty property discounts as part of the wider budget consultation exercise.

- 5.2. The results and appraisal of the consultation responses along with the final proposals will be brought back for comment by the Resources and Governance Scrutiny Committee and for final approval by the Executive at a future meeting.

6. Equality Impact Assessments

- 6.1. The requirements of Section 149 of the Equality Act state that public bodies must have due regard to the need to:
- i. Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act.
 - ii. Advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
 - iii. Foster good relations between people who share a protected characteristic and people who do not share it.
- 6.2. Those affected by the proposed introduction of higher levels of Council Tax payable on properties that have been empty and unfurnished for more than one year or empty and furnished will be determined by liability for Council Tax either as an owner or a tenant of an empty property. Liability is not affected by any aspects of someone's personal identity. It may be that one of the protected groups is overrepresented in the group affected, but even if this was the case, there would be no way of knowing as we are not allowed to hold information that is not required for the administration and collection of Council Tax. There is no evidence to indicate that any one of the protected groups is over-represented in the cohort.

7. Recommendations

- 7.1. The Resources and Governance Scrutiny Committee is requested to consider and comment upon the contents of the report.

The Executive is requested to:

1. approve the proposals contained in the report and
2. note that the outcome of the ongoing consultation will be reported back to the Resources and Governance Scrutiny Committee and for final approval by the Executive at a future meeting.

8. Appendices

- 8.1. Appendix 1 – Empty Property Exemptions