

Manchester City Council Report for Resolution

Report to: Resources and Governance Scrutiny Committee – 11 January 2024
Executive – 17 January 2024

Subject: Increasing Council Tax Premiums on empty properties

Report of: Head of Corporate Revenues

Summary

In February 2023 the Resources and Governance Scrutiny Committee reviewed new powers provided by legislation going through parliament at the time to increase the Council Tax on empty properties:

- Empty, unfurnished properties would pay the 100% long term empty premium after one year instead of two years.
- Empty, furnished properties would pay up to a 100% premium from the date that they became empty.

The [Levelling up and Regeneration Act 2023](#) that granted these powers was delayed and eventually passed in October 2023, meaning the Council can now adopt the powers. The increased premium for empty unfurnished properties can be introduced from 1 April 2024. The 100% premium on empty, furnished properties can be introduced from 1 April 2025.

Recommendations

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

The Executive is requested to confirm that the Council will adopt the new powers allowed by the Levelling up and Regeneration Act 2023 to:

- Charge the long-term empty premium after one year instead of two years from 1 April 2024.
 - Charge a 100% premium on empty furnished properties, subject to any future guidance or regulations from Central Government from 1 April 2025.
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Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city	None
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Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments	The recommendations are for changes to existing powers allowed by new legislation. Charging an additional amount of Council Tax comes into effect due to the ownership of an empty property, rather than by membership of any protected or disadvantaged groups.
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Manchester Strategy outcomes	Summary of how this report aligns to the OMS/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	Increased revenue from empty properties will help the Council fund essential services that local communities depend on.
A liveable and low carbon city: a destination of choice to live, visit, work	The changes to Council Tax discounts and will have an impact on the city's property market, as by charging for empty homes and premiums for long term empties 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

Adopting the recommendations of the report will:

Based on current figures and assuming there are no changes to the numbers of empty properties and the periods they have been empty, the two proposed changes could bring in increased Council Tax revenue as follows:

- Charging the Long-Term Empty premium after one year instead of two – estimated at up to £1.1 million, of which £0.8m would accrue to the City Council (excluding precepts). This figure may reduce as owners are encouraged to bring these properties back on to the market for rent or sale,

but any reduction may be offset by an increase in the New Homes Bonus paid by central government subject to the grant's continuation in the next Parliament's Spending Review.

- Introducing a 100% premium on empty, furnished properties (including second homes). – estimated at up to £7.2 million.

Financial Consequences – Capital

None

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Background documents (available for public inspection):

Report to Resources and Governance Scrutiny Committee, 7 February 2023 and Executive, 15 February 2023.

1. Introduction

1.1 This report reminds the Committee of the decision taken in February 2023 to adopt new powers made available in the [Levelling up and Regeneration Act 2023](#). These allow the Council to charge up to a 100% premium on top of normal Council Tax in two areas:

- Properties that have been empty and unfurnished for one year (previously this was applied after two years).
- Properties that are empty and furnished as soon as they become empty (these can be second homes or rental properties between lettings).

1.2 The legislation comes into force from 1 April 2024 in respect of charging the Long-Term Empty Premium after one year, but the additional premium cannot be added to the Council Tax on empty, furnished properties until 1 April 2025 due to the required minimum 12 month notice period from the date of Royal Assent, as set out in the act.

2. Background

2.1 From April 2013, the Council has been allowed to charge an additional premium on homes that have been empty and unfurnished for more than two years. Initially the premium was 50%, but in 2019, after further legislation, the current regime was introduced where the Council charges a 100% premium after two years, a 200% premium after five years and a 300% premium after ten years.

2.2 Also from April 2013, the Council removed the 50% open ended discount on empty, furnished properties, replacing it with a one month, 100% discount to allow landlords time to do necessary repairs between tenancies. This was removed by the Council in 2019, meaning no discount is available to owners of empty, furnished properties.

2.3 The focus and rationale behind these changes is to encourage owners to bring properties back into use more quickly to address housing shortages that have been well reported.

3. New powers granted under the Levelling up and Regeneration Act 2023

3.1 The Act allows Councils to charge the long-term empty premium of up to 100% after one year instead of the current two-year timespan, from 1 April 2024. It also allows the Council to charge a premium of up to 100% on empty, furnished properties from April 2025, including second homes. The regulations are included as appendix 1.

3.2 Consultation was carried out on these proposals as part of the budget consultation exercise for the 2023 budget:

- 66.3% of respondents strongly agreed or agreed that the Council should make the additional charge on empty, unfurnished properties. 23.8% disagreed or strongly disagreed.
- 50.5% of respondents strongly agreed or agreed that the Council should make the additional charge on empty, furnished properties. 38.6% disagreed or strongly disagreed.

4. Financial implications

4.1 Empty and unfurnished properties

4.1.1 In February 2023, there were 733 properties that had been empty and unfurnished for between one and two years. It was estimated that applying the premium after one year instead of two would create additional Council Tax liabilities of £1.3 million. By September 2023, the number of empty properties in this category had reduced to 604 properties reducing the estimated increase in Council Tax liabilities to £1.1 million, of which an estimated £0.8m would be retained by the Council.

4.2 Empty and furnished properties

4.2.1 A further report will be brought to RAGOS and executive prior to introducing the new policy for empty and furnished properties from 1 April 2025.

4.2.2 In February 2023 there were 5,371 properties that were empty and furnished, split almost 50/50 between those empty for more than a year (probably second homes) and those empty for less than a year (probably empty rental properties). By September 2023, the 12 month average number of empty properties in this category had reduced to 5,057 properties producing an estimated increase in Council Tax liabilities of £7.2 million, reflecting the Council's share only. However, this will be significantly reduced because properties owned by Registered Social Landlords will be exempt from this premium.

4.2.3 There will be circumstances where landlords and homeowners are genuinely struggling to sell these properties. While it is likely that Government will publish guidance and/or Regulations that give some dispensation to landlords for empty periods between tenants and to owners genuinely struggling, the Council may also want to consider the safeguards that will need to be in place prior to introducing this premium.

4.2.4 Much of this is not guaranteed income to the Council as collection and recovery difficulties and behavioural change by owners and landlords may erode the figures. Around half of the empty furnished properties appear to be genuine second homes which will attract the new premium generating a more reliable additional income stream of around £3.6 million.

4.3 Safeguards

- 4.3.1 The Council already has the discretion to waive the Long-Term Empty Premium for empty, unfurnished properties where they are being genuinely marketed for sale but that sale is proving difficult due to issues such as cladding. Properties that are empty because they have been found to be unsafe and occupation is prohibited are currently exempt from Council Tax too.
- 4.3.2 There is also the Discretionary Council Tax Payment scheme which was established when the Long-Term Empty Premium was first introduced. This was designed to (amongst other things) protect residents from unexpected hardship due to the premium by paying something towards their Council Tax.

5. Equality Impact Assessments

- 5.1 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.
- 5.2 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.
- 5.3 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 the Council is 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.

6. Recommendations

- 6.1 The Resources and Governance Scrutiny Committee is requested to consider and comment upon the contents of the report.
- 6.2 The Executive is requested to confirm that the Council will adopt the new powers allowed by the Levelling up and Regeneration Act 2023 to:
- Charge the long-term empty premium after one year instead of two years from 1 April 2024
 - Charge a 100% premium on empty furnished properties, subject to any future guidance or regulations from Central Government from 1 April 2025

7. Appendices

Appendix 1 – Extract from the Levelling up and Regeneration Act 2023