

## ABERDEEN CITY COUNCIL

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COMMITTEE	Finance, Policy and Resources
DATE	20 February 2014
DIRECTOR	Angela Scott
TITLE OF REPORT	Empty Properties – Council Tax
REPORT NUMBER:	CG/14/011

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### 1. PURPOSE OF REPORT

This report advises changes to Council Tax legislation relating to unoccupied properties - The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013. The Scottish Government is committed to reducing the number of unoccupied properties and this legislation is intended to encourage owners of long term empty properties to bring them back into use. The legislation allow councils to vary the amount of discount awarded and increase the level of council tax (not Water and Sewerage) payable on long term empty properties.

The report requests approval to:

- vary the discount awarded to 10% for properties unoccupied for more than six months (currently 50% discount) and
- increase the council tax payable by 100% for properties unoccupied for more than 12 months.

### 2. RECOMMENDATION(S)

The committee is asked to approve the changes to Council Tax Discount as per The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 from April 2014 to reduce the discount awarded to 10% after six months and increase the council tax charge by 100% on properties that have been empty for more than 12 months.

### 3. FINANCIAL IMPLICATIONS

Based on the information available at the time of the report it is estimated that an additional £750,000 of council tax charges could be raised. These figures have assumed that properties continue to be unoccupied for a full year and no properties are brought back into use.

It should be noted that any properties owned by the council would also be subject to the revised charges.

Any additional income can be used at the discretion of the council, not ring-fenced to affordable housing.

The cost of three additional staff for administration would be:

<b>Job Title</b>	<b>JE Grade</b>	<b>Min Salary*</b>	<b>Max Salary*</b>
3 x Customer Care Assistants (Council Tax)	G9	25,780.94	29,038.41

Net Cost	£77,342.82	Net Saving	
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\*These figures represent approximate costs for a full financial year 14/15. 29.7% on costs have been included in the above figures. The posts will be appointed at the bottom of the scale.

#### 4. OTHER IMPLICATIONS

It is expected that the legislative changes will increase the workload on the Council Tax Administration and Recovery teams due to additional change of addresses, applications for discounts and queries. There will also be an increase in visits to confirm occupation. It is expected that an additional three staff will be required.

#### 5. BACKGROUND/MAIN ISSUES

In 2005 the Scottish Government introduced legislation that allowed councils to modify the existing 50% council tax discount available on long term empty and unfurnished properties and second homes to between 10% and 50%. The council agreed at the Resources Management Committee in 2005 to amend the discount to 10%.

The additional revenue raised from this amendment is ring-fenced for affordable housing to meet priorities determined locally by the council.

In 2012, the Scottish Government introduced new legislation that allows councils to further amend discounts available on long term empty properties. The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 legislation has been introduced to encourage owners of long term empty properties to bring them back into use by reducing the council tax discount awarded on unoccupied properties and increase the level of council tax payable on certain long term empty properties.

An unoccupied property is any property which is not someone's sole or main residence, and is not a second home. An unoccupied property may be either furnished or unfurnished but is either not lived in at all or is lived in for less than 25 days in any twelve month period.

A long term unoccupied property is defined as a property which has been unoccupied for 1 year or more.

The new legislation allows councils to reduce the discount awarded to 10% earlier than at present, i.e. after 6 months rather than 12 months. It also allows councils to charge an additional 100% on certain long term unoccupied properties.

To encourage the long term empty properties within Aberdeen City to be brought back into use, it is proposed to reduce the discount to 10% after six months. It is also proposed to increase the charge by 100% on certain properties that have been empty for more than 12 months. To be implemented from April 2014.

Where properties are actively being marketed for sale or rent e.g. registered with an agent/solicitor and has a valid home report they will be exempt from the council tax increase until they have been unoccupied for 2 years or more. These properties will continue to be liable for 10% discount.

Properties classed as holiday homes, occupied as job related or undergoing major repairs will continue to receive the same level of discount and exemption.

Second homes are not impacted by the change of legislation. A second home is defined as being furnished and lived in for at least 25 days in any twelve month period, but not as someone's sole or main residence. This has been revised in the updated legislation. There is no change to the 10% discount awarded to second homes.

Appendix 1 provides a table that summarises the current and proposed position.

These changes do not impact on council tax exemptions for unoccupied properties. There are a number of exemptions in place for the owner of unoccupied properties such as:

- It is undergoing, or has recently undergone, major repair work or structural alteration
- It was last occupied by a charity
- It was last occupied by, and remains the sole liability of, someone in prison or someone living elsewhere to receive or provide care
- It is owned by someone who has died
- Its occupation is prohibited by law
- It is being kept for occupation by a minister of religion

- It was last occupied by a student
- It has been repossessed following a mortgage default
- It was last occupied together with certain agricultural lands
- It is held by a trustee in bankruptcy
- It is part of the same premises as, or situated within the same 'curtilage' as, another dwelling and is difficult to let separately.

Other local authorities have been contacted via the Institute of Revenues, Rating and Valuation how they are implementing the changes. A summary is shown below:

- 7 councils have amended or have the intention to amend the discounts available on unoccupied properties and implemented the additional 100% charge in line with the revised legislation.

(Aberdeenshire, Argyll and Bute, Dumfries and Galloway, East Lothian, Edinburgh, Eilean Siar, North Lanarkshire)

- 1 Council has amended the discounts available on unoccupied properties but not the additional 100% charge.

(Glasgow)

- 1 Council has implemented an additional charge of 50%.

(Moray)

- 5 Councils have decided not to amend discounts and no additional charge has been implemented.

(Clackmannanshire, East Renfrewshire, Falkirk, Shetland, Midlothian)

- 8 councils are considering their options.

(Fife, Highland, North Ayrshire, Orkney, Perth and Kinross, Scottish Borders, South Ayrshire, West Dunbartonshire)

It is proposed, implementation will be achieved by writing to the liable person(s) impacted prior to billing for 2014/15 to advise of the changes.

## 6. IMPACT

There will be an increase in the amount payable for certain unoccupied properties within the city. However, the aim of the increase is to encourage empty properties to be brought back into use. The

reduction of unoccupied properties will have a positive impact for the city by increasing the number of homes available in the sale/let market.

As part of the Scottish Government's consultation exercise, an Equality Impact Assessment was completed. This concluded that the legislation would not be expected to lead to negative impacts on any particular group.

## 7. MANAGEMENT OF RISK

The aim of the legislation is to encourage owners of long term empty properties to be brought back into the market place for sale or rent. However, there is a risk that owners will try avoid additional payments without bringing the property back into use.

Where the legislation is successful and properties are brought back into use this will reduce the revenue provided for affordable housing, e.g. the 40% of council tax on long term empty properties.

## 8. BACKGROUND PAPERS

The Local Government Finance (Unoccupied Properties etc) (Scotland) Act 2012

The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013

## 8. REPORT AUTHOR DETAILS

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Type of Property	Position	0 – 6 Months	7 – 12 Months	12 – 24 Months	24 +Months
Unoccupied and Unfurnished	Current Position	No charge is made	50% discount	10% discount	10% discount
	Legislation Allows	No charge is made	10 – 50% discount	50% discount – 100% increase	50% discount – 100% increase
	Proposed Position	No charge is made	10% discount	100% increase	100% increase
Unoccupied and Furnished	Current Position	10% discount	10% discount	10% discount	10% discount
	Legislation Allows	10 – 50% discount	10 – 50% discount	50% discount – 100% increase	50% discount – 100% increase
	Proposed Position	10% discount	10% discount	100% increase	100% increase
Second Home	Current Position	10% discount	10% discount	10% discount	10% discount
	Legislation Allows	10 – 50% discount	10 – 50% discount	10 – 50% discount	10 – 50% discount
	Proposed Position	10% discount	10% discount	10% discount	10% discount
Home undergoing Major Repairs *	Current Position	No charge is made	No charge is made	50% discount for 6 months then 10%	10% discount
	Legislation Allows	No charge is made	No charge is made	50% discount – 100% increase	50% discount – 100% increase
	Proposed Position	No charge is made	No charge is made	100% increase	100% increase

<b>Unoccupied and Unfurnished and for let/sale</b>	<b>Current Position</b>	No charge is made	50% discount	10% discount	10% discount
	<b>Legislation Allows</b>	No charge is made	10 – 50% discount	50% discount – 100% increase	50% discount – 100% increase
	<b>Proposed Position</b>	No charge is made	10% discount	10% discount	100% increase

<b>Unoccupied and Furnished and for let/sale</b>	<b>Current Position</b>	10% discount	10% discount	10% discount	10% discount
	<b>Legislation Allows</b>	10 – 50% discount	10 – 50% discount	50% discount – 100% increase	50% discount – 100% increase
	<b>Proposed Position</b>	10% discount	10% discount	10% discount	100% increase

<b>Job Related Dwelling and Holiday Homes</b>	<b>Current Position</b>	50% discount			
	<b>Legislation Allows</b>	50% discount			
	<b>Proposed Position</b>	50% discount			