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BELFAST CITY COUNCIL

Response

to

Review of Domestic Rating

The Rating of Empty Homes

Public Consultation Document

June 2008

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Introduction by the Chief Executive

As the capital of Northern Ireland, Belfast is the economic, transport and political centre of the country and has a direct interest in a fair and equitable rating system and the City Council supported the objectives of the initial review that there should be an equitable distribution of the rate burden on households in Northern Ireland.

Belfast City Council is pleased to have the opportunity to respond to the public consultation document on the rating of vacant homes particularly as its introduction would have a positive impact on the City Council's budget and, therefore, by definition, its ratepayers.

It is the City Council's view that the rating of vacant homes assists in the equitable distribution of the tax burden and ensures that all those who receive the benefit of the services provided by the City Council make a contribution to them based on the relative capital values of all properties - occupied or unoccupied.

An increase in rate income also provides the elected members with a political choice - they can choose the additional income to lower the District Rate or to increase the level or quality of services or a combination of any of these.

The purpose of this response is to set out the City Council's position in relation to the matters identified in the public consultation document published in May 2008 and the City Council will be pleased to expand upon, or provide further information and explanation to, any of the issues raised in this response.

Mr Peter McNaney
Chief Executive
Belfast City Council
City Hall
Belfast
BT1 5GS

Belfast City Council Response

This response follows the consultation paper and responds to each of the questions raised in the order in which they appear in the consultation document.

Response to Section 2 - General Background

Do you have any views on the general issues raised in this section?

The City Council supports the introduction of the rating of vacant homes for the following reasons -

Increasing Income

Rates currently are the City Council's principal source of income accounting for some 74% of total expenditure and it is essential with ever increasing demands for improved services that the tax base is maintained and enhanced.

Use of Property.

It is the view of the City Council that not only would the implementation of rating of vacant homes increase income to local authorities but the increased taxation would encourage owners to find ways of making better use of the empty properties by, either selling, re-letting or redeveloping the empty properties.

Strengthening the incentive for owners to re-let or re-develop property that is empty will also encourage the efficient use of land and property. This will help to reduce the need for new development

Fairness.

Empty properties enjoy the infrastructure services provided by the City Council whilst the owners do not currently contribute to the costs incurred by the local authority but which are, effectively, met by the ratepayers of occupied properties.

How best should unfit, low value properties be dealt with when rating empty homes?

Unfit, low value properties can be dealt with by the use of limited exemptions, as is the case in GB with the exemptions applied to vacant homes under the council tax system. It is essential that any exemption is limited because a long term or permanent exemption will not encourage the re-use of property.

How best can the rating of empty homes be introduced without stifling property development/impacting on housing affordability?

The judicious use of limited period exemptions can be provided for new developments, which should minimise the impact of an empty property rate and if the introduction of this charge encourages the re-use of properties the fact that housing supply is increased should have a dampening effect of property prices and rental levels.

Response to Section 3 - Specific Policy Issues

Subsection 1: Level of liability

What are your views on the rating of empty homes at 100%?

The City Council supports the proposal that empty homes should be rated at 100% and does not support a tiered charge with the rate increasing after a period of time - this, it is believed, would create a perverse incentive not to declare a property as being vacant. A provision similar to this was introduced under the community charge for those taxpayers who had second homes and this led to various forms of evasion.

Do you think there should be any exceptions to this?

The rate should be maintained at 100% for all qualifying homes. This will simplify administration and will be readily understood by taxpayers.

Subsection 2: Phasing the rating of empty homes

Would there be merit in introducing rates on empty homes on a phased basis?

The City Council see no merit in a phased implementation as this will essentially create differing levels of unfairness as between one category of ratepayer and another particularly if the phasing were undertaken on the basis of a capital values, zoning by district council area or age of property.

The City Council acknowledges, however, the need to consider carefully from when the rate should be implemented because from a purely practical point of view Land and Property Services may not be in a position to introduce such significant changes in the short term because of the need to -

- Develop appropriate computer systems;
- Identify the owners of vacant domestic hereditaments;
- Put resources in to place;
- Undertake training

If this measure were introduced what type of phasing would be appropriate – capital value threshold, stepped liability, new versus occupied properties or district council area?

In order to ensure a measure of equity between classes of properties the City Council believes that the only reasonable phasing would be by a stepped liability starting with 50% in year one, 75% in year two and 100% in year three. It is essential, if this were to happen, that the full charge is not deferred for longer than three years because a charge lower than 100% would encourage owners not report the occupancy of properties.

We raise this concern as the City Council undertook in 2008, on behalf of Land and Property Services, a survey of vacant properties. It is our understanding that no physical verification of vacant properties had been done by LPS since 2005 even though the level of vacant properties has risen from 6% in 2005/06 to 11% in 2007/080.

The registers from LPS showed that some 13,500 properties were listed as vacant across the city. Staff from the City Council's Building Control Service surveyed a total of 10,521 properties and found that 51% of them to be occupied. In essence

this means that 5,365 properties in Belfast were not paying the level of rates that they should have been. The details of these properties were passed to LPS so that rates bills can be issued.

Subsection 3: Application of a minimum capital value

Should certain categories of empty low value homes be excluded from rating?

The City Council supports the view that there should be an exemption for low value properties such as garages and caravans on the grounds of efficiency and economy of the collection process but this could be done by way of a minimum capital value.

Should a minimum capital value be applied to the rating of empty homes?

The City Council does support the use of a minimum capital value exemption BUT this should be set as to only include hereditaments such as garages and caravans.

The City Council does not understand why derelict and properties having a poor state of repairs should be removed from the valuation as all properties have a value particularly in a rating system based on discrete capital values. The impact of removing these from the list and hence from liability would defeat one of the principal drivers for an empty property rate - the encouragement to re-use or redevelop such properties.

Would a minimum capital value be an effective way to deal with low value properties that are in disrepair or derelict?

We do not believe that this would be an effective way to deal with low value properties that are in disrepair or derelict for the reasons given above. These can be dealt with by giving them a time-limited exemption as in GB - where a maximum time limit of 12 months applies in such cases

If a minimum capital value were introduced for empty homes what level should this be at?

The City Council would support the limit of £20,000 indicated in the consultation paper but with the proviso that properties classified as derelict should not be removed from the capital valuation list.

Subsection 4: Initial exemption period

What are your views on an initial exemption period not applying to the rating of empty homes?

Homes can be left empty for many reasons e.g. death, job transfers, repossessions etc; it is not unreasonable, therefore, to have an exemption period to allow the owner adequate time to take any necessary action with the property.

Also any scheme introduced should not, in fairness, differ significantly from the GB scheme.

If there is to be an initial exemption period how long should this last?

The initial period should be six months

Should a different approach be adopted towards new developments, in order to encourage the supply of new homes?

New properties should not be treated any differently to other homes.

Were a 12 month exemption period provided for new empty properties should there be any exclusions to this?

The City Council does not support a 12 month exemption period for new homes.

Subsection 5: Completion notices

At which point should a new domestic property be deemed to be 'complete' for the purpose of an empty homes charge?

This is a matter of judgment and would be the subject of a completion notice against which the owner should have a right of appeal if he/she does not agree with the specified completion date.

Should the approach be similar to that adopted for the rating of empty business property?

In terms of the rating of empty homes an approach similar to that adopted for the business sector should be implemented and a completion notice procedure put in place for new homes, when the property is complete or can reasonably be expected to be completed within three months.

Subsection 6: Exclusions

Should certain classes of domestic properties be excluded from rates when empty?

Careful consideration should be given to allowing exemptions as too many can reduce the income and create unfairness between ratepayers, however, the City Council recognizes that it is also equitable to allow some exemptions particularly where the reason that the property is vacant is beyond the control of the owner.

If so, what categories should be excluded?

The City Council considers that the following domestic properties should be excluded from the empty property rate:-

1. Occupation prohibited by law;
2. Vacant due to action by the Government or a local authority;
3. Vacant by reason of the owner requiring long term care;
4. Vacant because the dwelling is subject to probate - this should be a time limited exemption;
5. Unoccupied dwellings held for a minister of religion current relief should be continued so long as it is intended for use by a Minister of Religion;
6. Unoccupied dwellings where mortgagee in possession - this should be a time limited exemption;
7. Unoccupied by reason of insolvency - this should be a time limited exemption;
8. Dwellings left empty by a person in prison

Do you agree with, or have any views on, the suggested categories for exclusion?

As above.

Subsection 7: Social and private rented sector

What are your views on applying the rating of empty homes to the social rented

sector?

The social rented sector stands apart from the housing market and the incentive to ensure maximum occupation is applied by the demand for social housing and so the City Council believes that there is good reason to exclude social housing from the provisions of an empty property rate. In any event the NIHE receives an allowance under Article 21 of the Rates (NI) Order 1977 and does not claim any void allowance from LPS.

Should the social rented sector be excluded from the mainstream policy, with the current arrangements continuing to apply?

For the reasons given above the present policy should continue.

Should the private rented sector (subject to a written agreement) be excluded from the mainstream policy, with the current arrangements continuing to apply?

Those owners who have signed agreements under section 21 of the Rates (NI) Order 1977 should continue to receive the benefit of the discount.

One of the principal reasons for the level of discount was to encourage owners to enter in to agreements with a consequent saving in administration for Land and Property Services. If Article 20 were to be revoked in favour of bringing these properties in to the provisions of an empty property rate it would require -

1. increased human and financial resources to handle the additional workload including vacancy inspections;
2. rate bills being issued to individual tenants and this would lead to difficulties with occupation data and enforcement with the potential for increased costs and loss of revenue;
3. rate bills would have to be issued to landlords for the vacant periods;

In fact the introduction of an empty property rate may encourage more owners to enter in to the Article 21 agreement.

Have you any other suggestions as to how the social or private rented sector should be dealt with?

The status quo should be maintained by the use of a conditional exemption.

Should the 15% discount provided under the voluntary arrangements for landlords (in the social and private rented sector) be lower to reflect the introduction of the rating of empty homes?

So far as the private rented sector is concerned the level of discount has to be seen as an incentive to encourage them to enter in to agreements and a level of 15% does not seem unreasonable in this context. The alternative is for LPS to have to bill tenants directly and deal with void periods and this would lead to administrative difficulties given the transience of some private sector tenants.

The position with the social rented sector does seem somewhat different to us for a number of reasons -

1. The principal incentive for the public sector to maintain maximum occupancy is not financial but the provision of social housing;
2. The mobility of tenants in the social rented sector is lower than that in the private rented sector;

3. Some 80% of tenants are on receipt of benefit, which is funded by the Government.

The statistics available to the City Council show that there are approximately 105,000 public sector properties of which some 10,000 are vacant at any one time. Since this represents approximately 10% of properties this leads us to believe that an allowance of no more than 10% would seem appropriate.

Subsection 8: Interaction with other allowances, exemptions and reliefs

The principal reliefs and allowances that are relevant to the occupied rate are allowed because of the circumstances of an individual within the household e.g. housing benefit, rate relief, disabled persons allowance, the relief for those in full time education and training, young people leaving care, those under 18, and the lone pensioner allowance, therefore, they are not relevant and should not be applied to the empty property rate.

Reliefs, such as transitional relief and the maximum capital value reliefs, should continue to apply in relation to the rating of empty homes because they are related to the property not the ratepayer.

In relation to vacant farmhouses the valuation allowance should only be removed if the property when next used is not to be used as a farmhouse.

The City Council supports the proposal in the consultation paper that legislative powers should be introduced that would allow deliberate rates avoidance to be dealt with by providing that any intentional damage to a property, deemed to have been carried out with the purpose of avoiding rate liability, would not be reflected in the value of the property and its subsequent rates liability.

Response to Section 4 - Financial Impact

The City Council supports the introduction of the rating of empty homes because it will raise additional revenue, which can be used to either reduce the current district rate or used to improve services or a combination of both. The main point is that it provides political choice.

The City Council would echo the caution in the consultation paper about the level of income that may be generated. It is noted that the estimate is based on a total of 10,344 vacant properties, however, we would point out that we undertook, on behalf of Land and Property Services, a survey of empty properties. It is our understanding that no physical verification of vacant properties had been done by LPS since 2005 even though the level of vacant properties had risen from 6% in 2005/06 to 11% in 2007/08.

The LPS records showed that some 13,500 properties were listed as vacant across the city. Staff from the City Council's Building Control Service surveyed a total of 10,521 properties and found that 51% of them to be occupied. In essence this means that 5,365 properties in Belfast were not paying the level of rates that they should have been (equating to some £2.19m year on year income to the City Council). The details of these properties were passed to LPS so that rates bills can be issued.

It also means, of course, that the actual number of vacant properties is likely to be in the region of 5,000 rather than the 10,344 used for the estimate in the consultation paper.

Response to Section 5 - Preferred Approach

Do you have any comments on the preferred approach that has been adopted?

- The liable person should be the person entitled to possession of the property, which usually means the owner.
 - The City Council agrees with this approach
- Rates on empty homes should be levied at 100%.
 - The City Council agrees with this approach
- The rating of empty homes should not be introduced on a phased basis.
 - The City Council agrees with this approach
- There should be no general initial exemption period. A 12 month exemption period should, however, apply to new property developments
 - The City Council does not agree with this approach as can be seen on page 5.
 - It believes that there should be a six month general period, which would cover all properties including new homes.
- Similar to the non-domestic sector, completion notices should be used to determine when rates liability begins for new empty homes.
 - The City Council agrees with this approach
- Certain properties should be excluded from the rating of empty homes, including where occupation is legally prohibited or by government action, where a person is receiving care, the property is empty due to imprisonment or the owner's death and for properties below a capital value of £20,000.
 - The City Council agrees, in general, with this approach - see page 6 above.
- Properties in the rented sector, for which owners have agreed to pay rates, should be excluded from the standard rating of empty homes policy.
 - The City Council agrees with this approach but believes that the level of relief allowed under Article 21 should be reviewed in the case of public sector properties.
- The maximum capital value and transitional relief should apply to empty homes.
 - The City Council agrees with this approach
- Occupation based allowances and reliefs (disabled person's allowance, housing benefit, rate relief, student relief for those in full time education and training and young people leaving care and lone pensioner allowance) should not apply where rates are levied on empty properties.
 - The City Council agrees with this approach
- The valuation allowance for farmhouses should not be awarded on empty property, due to occupancy conditions.
 - In principal the City Council agrees with this approach but would

propose that the valuation allowance should only be removed if the property when next used is not to be used as a farmhouse.

- The 50% exemption on Minister's houses should apply when the property is empty, and owned by the church, subject to it being used for pastoral duties when next in use.
 - The City Council agrees with this approach
- New powers should be provided that would allow deliberate rates avoidance to be dealt with, if deemed necessary.
 - The City Council agrees with this approach

Response to Section 6 - Summary of Impact Assessments

The City Council has no further evidence of the impact that the empty property rate, if introduced, would have on disadvantaged areas, rural areas or on different Section 75 groups.

Conclusions

The City Council supports the implementation of rating of vacant homes but would exercise caution in relation to the potential income that may be generated given the possible unreliability of the LPS records in relation to vacant homes as indicated by the recent work undertaken on their behalf by the City Council.

In addition, this will be a major administrative exercise to be undertaken and will require new systems and additional resources, all of which take time to put in place and whilst the City Council would welcome the additional income generated this is not likely to materialise if adequate planning and preparations are not made and adequate time is not allowed for Land and Property Services to prepare for implementation.