

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

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COUNCIL TAX – EMPTY HOMES PREMIUM

Report from: Mick Hayward, Chief Finance Officer

Author: Jon Poulson, Revenues & Benefits Manager

Summary

This report outlines the proposal to introduce a council tax empty homes premium from 1 April 2015 resulting in council tax of 150 per cent for properties that have been empty and unfurnished for more than two years.

1. Budget and Policy Framework

- 1.1 It is the Cabinet's responsibility to propose a budget to be agreed by Council. The introduction of an empty homes premium will have an impact on both the taxbase calculation and the budget requirement that underpin the budget proposal. The consequences of dealing with these issues will directly impact on the level of council tax.
- 1.2 The level of discounts to be awarded is a matter for Council. If Members are minded to recommend a premium this could be placed before Cabinet on 30 September 2014 for a further recommendation to Council on 16 October 2014.

2. Background

- 2.1 On 31 October 2012 the Local Government Finance Act received royal assent, providing the framework for the technical reforms of council tax.
- 2.2 On 30 November 2012 The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 and The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 were laid before parliament.
- 2.3 On 18 December 2012 The Council Tax (Administration and Enforcement) (Amendment) (No.2) (England) Regulations 2012 were laid before parliament.
- 2.4 The reforms were reported to Council on 24 January 2013 in the report on Technical Reforms of Council Tax.

- 2.5 Amongst the changes was a new power allowing billing authorities to levy an 'empty homes premium' in respect of dwellings which have been left empty for two years or more.
- 2.6 The Council noted the power to levy an additional premium on those properties that remained empty and unfurnished in excess of two years but agreed not to do so at that time (775/2013).
- 2.7 Business Support Overview & Scrutiny Committee requested that the matter be re-addressed at its meeting on 4 February 2014.

3. Advice and analysis

- 3.1 The Council Tax (Administration and Enforcement) (Amendment) (No.2) (England) Regulations 2012 give billing authorities the discretion to levy an empty homes premium of up to 50% on council tax payable in respect of dwellings that have been left empty and unfurnished for two years or more.
- 3.2 There are two exceptions:
 - Where the property is left empty by a serving member of the armed forces, who is living elsewhere in accommodation provided by the Secretary of State for Defence; or where the property is the sole or main residence of a serving member of the armed forces, who is subject to a job related discount at an alternative address provided by the Secretary of State for Defence.
 - Empty Annexes
- 3.3 The option of introducing a premium links to the Council's Housing Strategy, which aims to reduce the number of empty properties in the area and minimise the likelihood that properties become long-term empties.
- 3.4 After two years of remaining empty, properties may start to deteriorate and impact negatively on neighbourhoods, and a number of properties are already in such 'blight' conditions in Medway.
- 3.5 Introducing a Council Tax premium could encourage owners to bring their property back into use more quickly.
- 3.6 As at 31 July 2014, 314 properties had remained empty for in excess of two years. These can be further broken down as follows:

Council Tax Band	Number where owner resident in Medway	Number where owner resident outside Medway	Number where owner being traced	Total
A	34	35	2	71
B	76	39	3	118
C	42	12	3	57
D	15	6		21
E	11	5		16
F	13	2		15
G	13	2		15
H	1	0		1
TOTAL	205	101	8	314

- 3.7 The New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use.
- 3.8 The New Homes Bonus is paid each year for 6 years. It's based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use.
- 3.9 Local councils can decide how to spend the New Homes Bonus. However, the Government has stated that they expect local councils to consult communities about how they will spend the money, especially communities where housing stock has increased.

4. Financial Implications

- 4.1 If Medway Council chose to adopt a 50% premium the properties at 3.6 above would generate an additional £162,400 of potential income per annum at current council tax levels
- 4.2 However, raising the charge does not guarantee collecting the monies due. Many of the older cases may have absent owners or unresolved probate issues and it would therefore be prudent to assume that only 75% of the potential additional income is collected.
- 4.3 New Homes Bonus is paid on the basis of an average council tax charge. Were the 314 properties to be occupied it could achieve grant income of £406,112 per annum for six years based on the national average band D 2013/14 council tax of £1,455.60.
- 4.4 Any additional administrative costs from the additional billing requirements are considered minimal and can be met from existing resources.

5. Risk management

Risk	Description	Action to avoid or mitigate risk
Council tax avoidance	Home owners may find alternative methods to mitigate against the impact of the premium	Monitor behaviour patterns in relation to owners of these properties
Significant levels of absent owners	Collecting the premium is dependent on being able to trace and bill the appropriate parties. If the owner cannot be traced the likelihood is that it will not become occupied and as such New Homes Bonus will also not be awarded.	Ensure vigorous tracing procedures in place including use of enforcement agencies and LOCTA

6. Legal implications

- 6.1 Section 12(2) of the Local Government Finance Act 2012 and the regulations cited in paragraph 3.1 of this report allow local authorities in England to set a council tax rate for long-term empty properties of up to 150% of the normal liability,

7. Recommendations

- 7.1 That Members consider the proposal to introduce an empty homes premium and make a recommendation to Cabinet accordingly.

Lead officer contact

Jon Poulson
Revenues & Benefits Manager
Finance – MRBS
Business Support Department
01634 333700
jon.poulson@medway.gov.uk

Background papers

Local Government Finance Act 2012
The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012
The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012
The Council Tax (Administration and Enforcement) (Amendment) (No.2) (England) Regulations 2012