

COUNCIL

16 OCTOBER 2014

COUNCIL TAX – EMPTY HOMES PREMIUM

Portfolio Holder: Councillor Alan Jarrett, Finance and Deputy Leader

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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.

2. Background

- 2.1 On 31 October 2012 the Local Government Finance Act 2012 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 and 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. Business and Support Overview and Scrutiny Committee – 26 August 2014

- 4.1 The Business Support Overview and Scrutiny Committee considered this report on 26 August 2014. During the discussion on this item, Members considered the application of this premium when a property was subject to probate. It was explained that if the owner of a house died, Council Tax was not charged for up to six months after probate was granted. In the majority of cases the two-year 'empty and unfurnished' period would then commence on the expiry of this six-month period. This effectively meant that it would not be applied for two years six months after the owner died. The Committee was assured that this would be clarified in the report to Cabinet and Council. This is set out in Appendix 1.
- 4.2 The Committee was also advised that these regulations did not apply to commercial properties nor Deferred Payment Schemes (where a resident was eligible for deferred payments if they did not have sufficient income, savings or other assets apart from the value of their home to pay for the cost of residential care).
- 4.3 Following their consideration of this report the Committee requested a Briefing Note explaining the different enforcement powers available to the Council, where a property had been vacant for two years and the owner was either known or not known.
- 4.4 The Committee agreed to recommend to Cabinet that the Council set a Council Tax rate for long-term empty properties at the maximum permitted

150% of the normal liability, so to encourage owners to bring their property back into use.

- 4.5 The Committee requested a Briefing Note explaining the different Council Tax enforcement powers available to the Council where a property has been vacant for two years and the owner is known or not known. This Briefing Note was sent out to Committee Members on 1 October 2014.

5. Cabinet – 30 September 2014

- 5.1 The Cabinet considered this report on 30 September 2014 and agreed the following:

- 5.1.1 The Cabinet recommended to Council to set a Council Tax rate for long-term empty properties (dwellings that have been left empty and unfurnished for two years or more) at the maximum permitted 150% of the normal liability, so to encourage owners to bring their property back into use.

6. Financial Implications

- 6.1 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.

- 6.2 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.

- 6.3 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.

- 6.4 Any additional administrative costs from the additional billing requirements are considered minimal and can be met from existing resources.

7. Risk Management

Risk	Description	Action to avoid or mitigate
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	Ensure vigorous tracing procedures in place including use of enforcement agencies and LOCTA
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8. Legal implications

- 8.1 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.

9. Recommendation

- 9.1 Council is asked to set a Council Tax rate for long-term empty properties (dwellings that have been left empty and unfurnished for two years or more) at the maximum permitted 150% of the normal liability, so to encourage owners to bring their property back into use.

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Background papers

Local Government Finance Act 2012
<http://www.legislation.gov.uk/ukpga/2012/17/contents/enacted>

The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012
<http://www.legislation.gov.uk/uksi/2012/2964/contents/made>

The Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012
<http://www.legislation.gov.uk/uksi/2012/2965/contents/made>

The Council Tax (Administration and Enforcement) (Amendment) (No.2) (England) Regulations 2012
<http://www.legislation.gov.uk/uksi/2012/3086/contents/made>

Class F - dwellings left empty by deceased persons

An unoccupied dwelling in relation to which no grant of probate or of letters of administration has been made, or less than 6 months have elapsed since the day on which such a grant was made.

An 'unoccupied dwelling' means a dwelling in which no one lives and it therefore applies whether a property is furnished or not.

Long Term Empty Dwelling

A dwelling is a "long-term empty dwelling" on any day if for a continuous period of at least 2 years ending with that day—

- (a) it has been unoccupied, and
- (b) it has been substantially unfurnished.

The additional requirement at (b) above means that there is the potential for a class F exemption and the 2 year continuous period to overlap.

Scenario 1

A property is fully furnished at the date of death of the occupier on 1/1/2014. Probate is applied for and is awarded on 1/8/2014. The furniture is removed over the next 12 months but the property is not sold for 3 years.

For the period:

01/01/14 – 31/07/14 Class F full exemption as no grant of probate

01/08/14 – 31/01/15 Class F full exemption awarded (i.e. up to 6 months after probate)

01/02/15 – 31/07/15 2nd Home discount (10%) awarded whilst property is furnished

01/08/15 – 31/10/15 Discount (100%) awarded (first three months unfurnished)

01/11/15 – 31/07/15 100% charge unoccupied and unfurnished for more than 3 months

01/08/17 onwards Premium charged (150%) as 2 years from date became unfurnished (01/08/15).

Scenario 2

A property is fully furnished at the date of death of the occupier on 1/1/2014. Probate is applied for and is awarded on 1/8/2014. The furniture is removed immediately but the property is not sold for 3 years.

For the period:

01/01/14 – 31/01/15 Class F full exemption awarded (i.e. up to 6 months after probate)

2nd Home discount (10%) NOT awarded as property is unfurnished

Discount (100%) NOT awarded (first three months unfurnished was within Class F exemption period)

01/12/15 – 31/07/16 100% charge unoccupied and unfurnished for more than 3 months

01/08/16 onwards Premium charged (150%) as 2 years from date became unfurnished (01/08/14).