Purpose of report

To seek approval to recommend to Council that, from 1 April 2015, an Empty Homes Premium of 50% be applied for properties which have remained empty for over two years.

1.0 Recommendations

The meeting is recommended:

1.1 To recommend to Council that an Empty Homes Premium of 50% be introduced from 1 April 2015 for properties which have been empty for over two years.

2.0 Introduction

2.1 Members will be aware of the key changes affecting local government finance from 1 April 2013. Section 12 of the Local Government Finance Act 2012 amended Section 11B of the Local Government Finance Act 1992 to allow local authorities in England to set a council tax rate for long-term empty properties of up to 150% of the normal liability. A ‘long-term empty property’ must have been unoccupied and substantially unfurnished for at least two years. This has become known as the ‘Empty Homes Premium’.

3.0 Report Details

3.1 Prior to 1 April 2013 billing authorities could charge up to a maximum of 100% council tax on dwellings that have been empty for more than two years. From April 2013 billing authorities were given powers to charge a premium of up to 50% of the council tax payable in these circumstances.

3.2 Prior to legislating Government consulted on circumstances in which the 50% premium would not be applicable. The three circumstances were:
1. A dwelling which is the sole or main residence of a member of the armed forces who is absent from the property as a result of such service;

2. An annexe deemed unoccupied because it is being treated by the occupier of the main dwelling as part of that main dwelling;

3. A dwelling which is genuinely on the market for sale or letting

3.3 Government subsequently legislated for the first two circumstances, but decided not to do so in the case of a dwelling which is genuinely for sale or letting. It still believed, however, that dwellings in such circumstances should not be subject to a premium and issued guidance to assist authorities in their decision making.

3.4 The guidance was issued in May 2013 and states:

*This guidance paper should not be treated as an interpretation of the legislation or as statutory guidance. Billing authorities are free to make their own decisions when administering the premium.*

*The government expects billing authorities to consider the reasons why properties are unoccupied and unfurnished, including whether they are available for sale or rent, and decide whether they want such properties to be included in their determination. When considering the reasons an authority may want to take account of the following:*

- on average, how long have properties in their area been available for sale or rent before completion/occupation;
- what is the average price/rent in the local area?

3.5 Whilst the decision to make a determination under Section 11B of the Local Government Finance Act 1992 is for billing authorities to make, the government would expect that due consideration is given to the health of the local housing market when making determinations.

3.6 The premium may be applied when a property has been empty for two years, irrespective of how long its current owner has owned it. Therefore, it is possible for an individual to buy a property which has already been empty for two years and be liable for the premium immediately. This scenario may occur if, for instance, the individual does not occupy the property immediately because they wish to extend or renovate the property. If the property is occupied for a period of six weeks or less, it is regarded as not having been occupied for the purposes of the two-year period. Occupancy of a long-term empty property for more than six weeks ‘resets the clock’ for this purpose.

3.7 The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 specify that the premium cannot apply to homes that are empty due to the occupant living in armed forces accommodation for job-related purposes or to annexes being used as part of a main property.

3.8 A report was presented to Budget and Financial Strategy Committee detailing properties which would become subject to an Empty Homes Premium if introduced
from 1 April 2015. As a result, members requested that a targeted consultation exercise took place with those property owners who would be affected by the changes.

Consultation process

3.9 Targeted consultation took place using a letter explaining the proposal and asking for information on why the property had become long-term empty and when it was likely to be brought back into use. We also asked for more general views on whether we should introduce Empty Homes Premium.

3.10 We provided a link for survey responses as well as sending out a paper copy of the survey with all letters.

3.11 There has been a reasonable level of response to the consultation with 11 responses being received to 63 letters. Some owners own more than one empty property. Three letters were returned by Royal Mail so we have made follow up enquiries to ascertain the current situation.

3.12 The most common reason why properties had become long-term empty was personal choice and “other”. Other reasons tended to relate to taking time to personally renovate the property. There was a significant variance in the length of time the owner thought the property would be brought back into use ranging from less than three months and over 18 months.

3.13 With regard to introducing an Empty Homes Premium 36% of respondents thought that we should do so. Those who thought we shouldn’t based their comments around personal liberty and personal circumstances.

3.14 At the time of writing there has not been any response from the registered social landlords we wrote to.

4.0 Conclusion and Reasons for Recommendations

4.1 Members are asked to note the detail of this report.

4.2 Members are asked to recommend to Council the introduction of an Empty Homes Premium and charge 150% council tax for properties that have remained empty for more than two years.

5.0 Consultation

Budget and Financial Strategy Committee

A report on the results of the targeted consultation on Empty Homes Premium has been considered by Budget and Financial Strategy Committee who recommend to Cabinet that Empty Homes Premium should be introduced.
6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To decide not to make a recommendation to Council on introducing an Empty Homes Premium of 50%.

7.0 Implications

Financial and Resource Implications

7.1 The projected additional income from charging an Empty Homes Premium of 50% is £78,000. South Northamptonshire Council would keep approximately £9,360 of this. If this strategy causes more long-term empty properties to be brought back into use it will also have a beneficial impact on New Homes Bonus as well as increase the council tax base.

Comments checked by:
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Legal Implications

7.2 Section 12 of the Local Government Finance Act 2012 inserted a new Section 11B into the Local Government Finance Act 1992 allowing billing authorities, in relation to a dwelling which has been unoccupied and substantially unfurnished for over two years, to charge up to 150% of the council tax which would have been payable if the dwelling were occupied by two adults and no discounts were applicable.

Comments checked by:
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Equality and Diversity

7.3 Impact assessments will be carried out if the decision is taken to recommend the introduction of Empty Homes Premium.
8.0 Decision Information

Key Decision

Financial Threshold Met: No as recommended to Council
Community Impact Threshold Met: No as recommended to Council

Wards Affected

All

Links to Corporate Plan and Policy Framework

To prudently manage the Council’s finances.

Lead Councillor

Councillor Ian McCord, Portfolio Holder for Resources and Change Management

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