

Cherwell District Council

Executive

7 September 2015

Council Tax – Empty Homes Premium

Report of Head of Finance and Procurement

This report is public

Purpose of report

To seek approval to recommend to Council that, from 1 April 2016, an Empty Homes Premium of 50% be applied for properties that 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 2016 for properties that have been empty for over two years.

2.0 Introduction

- 1.2 The report considers legislative options open to the Council, the income that might be generated from the Empty Homes Premium (EHP) and New Homes Bonus (NHB).
- 1.3 It also looks at the potential benefits of an EHP in relation to the Council's empty-homes work and Members desire to see empty homes restored to use.

3.0 Report Details

- 3.1 From 1 April 2013, Local Authorities have been able to charge a premium on a class of property which has been unoccupied and unfurnished for a period of two years or more. The premium can be up to 50% on the property.
- 3.2 The decision to make a determination is made under Section 11B of the Local Government Finance Act 1992 and is made at the discretion of the Council. The Government has provided guidance as to which properties should be charged the premium but ultimately, the decision is one for members to make.

- 3.3 Under the Council Tax [Prescribed Classes of Dwellings] [England] Regulations 2003 two classes of dwelling have been identified as being exempt from this provision.
- A dwelling which would otherwise be the sole or main residence of a member of the armed services, who is absent as a result of such service
 - An annexe, which forms part of a single dwelling and is being treated by the resident of that property as part of the main dwelling
- 3.4 The Government does expect Local Authorities to consider the reasons why properties are unoccupied and unfurnished and also take into account the strength of the local housing market when making any decision. It is also a stated intention that any premium should not penalise owners of property which is genuinely on the housing market for sale or rent.
- 3.5 Any new scheme to introduce the premium, will take effect from **1 April 2016**. Notice will have to be served upon the residents of Cherwell District Council and an advert placed in the local press to advertise the fact that the premium can now be imposed.
- 3.6 Furthermore, good practice would suggest that the Local Authority write to affected parties prior to 1 April 2016 to advise that the premium will be imposed. This is in line with previous action taken when discounts and exemptions have been amended.
- 3.7 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 a 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.
- 3.8 There are financial and non-financial benefits associated with the introduction of an Empty Homes Premium. The financial benefits relate to an increase in Council Tax income and New Homes Bonus and the non-financial benefits relate to ensuring the Housing Stock within the District is maintained at as high a level as possible.

Additional Council Tax Income

- 3.9 Currently there are 114 empty properties across the district that would attract an Empty Homes Premium. This will generate estimated additional income of £11,197 for this District Council. With the additional administrative burden that comes with the scheme it would hardly be worth implementing the scheme if considered on this criterion alone. The County Council and the Police will also benefit from this proposal to the tune of £66,319 and £8,613 respectively.

Additional New Homes Bonus

- 3.10 The charging of a Council Tax premium may lead to owners of the properties bringing them back into use. In this scenario, for each property that is brought back into use (and assuming that each property is a Band D property) the district Council will lose £61.75 in Council Tax (the 50% premium being charged) but will gain £1,174.38 per year in New Homes Bonus.
- 3.11 If the current NHB policy remains the same this amount will be received for six years and therefore the net benefit for each property brought back into use is £1,112.63 per year or £6,675.78 over the six year period.
- 3.12 Over a six year period, the bringing back into use of just 10 properties would deliver financial benefit to this Council of approximately £67,000.

Council's Empty Homes Work

- 3.13 In its consultation on the possible introduction of Empty Homes Premium the government made clear it believed the Premium would '*provide a useful incentive to encourage property owners to take steps to make use of dwellings that have otherwise been left unoccupied and substantially unfurnished*'.
- 3.14 The Overview and Scrutiny Committee considered reports on empty homes in January 2012 and March 2013. Members confirmed their desire to see empty homes brought back into use and endorsed an approach based on the principles that the Council would facilitate and encourage that where possible, but was prepared to use its enforcement powers where appropriate.
- 3.15 Members may conclude that the introduction of an Empty Homes Premium is an opportunity to give extra impetus to the Council's work in getting empty homes returned to use and will send out an appropriate message about their desire to see long-term empty homes properly used.

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 Alternative Options and Reasons for Rejection

- 5.1 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%.

6.0 Implications

Financial and Resource Implications

- 6.1 The financial implications are set out in the body of the report.

Comments checked by: Martin Henry, Director of Resources, 0300 003 0102
martin.henry@cherwellandsouthnorthants.gov.uk

Legal Implications

- 6.2 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: Kevin Lane, Head of Law and Governance, 0300 0030107
kevin.lane@cherwellandsouthnorthants.gov.uk

Equality and Diversity

- 6.3 Impact assessments will be carried out if the decision is taken to recommend the introduction of the Empty Homes Premium.

7.0 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

This links to the Council's priorities of a district of opportunity and a safe, healthy and thriving district.

Lead Councillor

Councillor Ken Atack, Lead Member for Financial Management

Document Information

Appendix No	Title
None	
Background Papers	
None	
Report Author	Ryszard Filipiak, Service Assurance Team Leader
Contact Information	Ryszard Filipiak: 01295 227067 Ryszard.Filipiak@cherwell-dc.gov.uk