

Committee: Council

Date: 19 November 2014

Wards: All

Subject: Council Tax Empty Home Premium

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Lead member: Councillor Mark Allison

Forward Plan reference number:

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Recommendations:

- A. To agree that the Council will implement the council tax empty home premium of an additional charge of 50% on the council tax for long term empty properties (over two years empty) from 1 April 2015.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. This report proposes the introduction of the council tax empty home premium of an additional charge of 50% on the council tax for long term empty properties (over two years empty) from 1 April 2015.
- 1.2. That full Council agrees to implement recommendation A above.
- 1.3. Section 67(2) of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012) provides that the power to decide to introduce a premium for long term empty homes in section 11B Local Government Finance Act 2012 can only be exercised by full Council.

2 DETAILS

- 2.1. In October 2011 the Government issued a consultation paper with proposals to give billing authorities greater discretion over the reliefs available from council tax in respect of second homes and some empty properties.
- 2.2. In May 2012 the Government published its summary of responses and its conclusions it has reached.
- 2.3. Legislation was changed to give billing authorities discretion to remove or reduce the discounts and exemptions awarded for empty properties and second homes and to give authorities the option to charge up to an additional 50% premium on long term empty properties (over 2 years empty).
- 2.4. On 6 February 2013 full Council agreed to remove the discounts and exemptions on empty properties and second homes and also agreed that a review of the empty homes premium would be undertaken for the full year

2013/14 and reported back to Cabinet for consideration for the 2015/16 budget process.

- 2.5. A review of the potential financial impact and benchmarking across London has been undertaken.
- 2.6. Out of 24 London boroughs who responded 18 are charging the empty home premium in 2014/15 and 6 are not. All of the 18 authorities are charging the full 50% additional charge.
- 2.7. The government's definition of a long term empty property is one that has been empty and unfurnished for two years. If the property has furniture in and empty it is classed as a second home and would not be liable for the addition charge. Likewise, if the sale of a property is delayed due to probate then the property would not be liable for the additional charge.
- 2.8. There are two classes of properties which are exempt from the premium, 1) a property that is the sole or main residence of a member of the armed forces and they are absent from the property as a result of that service and 2) an annexe which is empty which cannot be let or sold separately from the main property.
- 2.9. The number of empty properties over two years in Merton are as follows:

Date	Empty Properties over 2 years
1 April 2013	151
30 September 2013	170
31 March 2014	198
21 July 2014	216

- 2.10. The data we hold has shown a gradual increase in the number of long term empty properties although it should be noted that taxpayers do not have any incentive to accurately notify about the occupation of empty properties as we do not grant any discounts or exemptions anymore.
- 2.11. A data validation exercise will need to be undertaken prior to the 1 April 2015 to ensure that the information on long term empty properties is accurate and that we charge the empty property premium correctly.
- 2.12. The implementation of this new premium is aimed at encouraging homeowners not to unnecessarily leave their properties empty for long periods of time. A certain level of empty homes is inevitable and is a feature of a healthy housing market. However properties which have been empty and unfurnished for 2 years or more are often subject to deterioration that can affect the fabric of the property, can cause damage to neighbouring homes and can attract other social problems to the area. The Council wants to encourage homeowners to bring long term empty homes into use to the benefit of all residents. Charging a premium would send a clear message to owners that it is not acceptable to keep properties empty, often creating a local nuisance and wasting a housing resource. As part of the exercise to validate the number of long term empty properties a joined up approach will

be undertaken with the Housing Needs team to promote and increase housing.

3 PROPOSAL

- 3.1. That the Council will implement the council tax empty home premium of an additional charge of 50% on the council tax for long term empty properties (over two years empty) from 1 April 2015.

4 ALTERNATIVE OPTIONS

- 4.1. The Council could continue as now and not implement the empty homes premium although this would provide no incentive to owners to let or occupy the long term empty properties within the borough.

5 CONSULTATION UNDERTAKEN OR PROPOSED

- 5.1. No local consultation has been undertaken. No formal separate consultation exercise is required unlike the decision on local tax support scheme. The Government undertook a formal consultation exercise on the proposals during the year and the summary of responses were issued in May 2012.

6 TIMETABLE

- 6.1. The premium would be implemented from 1 April 2015.

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 7.1 The charging of a premium on long-term empty properties of up to 50% will increase the council tax yield. The table below shows possible examples of estimated increase in Merton's council tax yield based on implementing the empty home premium. The financial assumption is based on all taxpayers paying the additional premium assuming Band D Council Tax at the 2014/15 level:

Number of empty properties	Merton only Band D charge	Total increase in yield based on 50% premium
150	£1,102.25	£82,229
180	£1,102.25	£99,202
210	£1,102.25	£115,736

8 LEGAL AND STATUTORY IMPLICATIONS

- 8.1. The Governments Resource Review encompassed three potential areas of reform in local government finance
- The local retention of business rates

- The replacement of council tax benefit by provision for a local council tax support scheme
 - Technical reforms of council tax
- 8.2. Section 12 (2) of the Local Government Finance Act 2012 which amends Section 11 Local Government Finance Act 1992) allows 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.
- 8.3. Under the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003, the government has prescribed two classes of dwellings which are exempt from the premium. These are:
- a dwelling which would otherwise be the sole or main residence of a member of the armed services , who is absent from the property as a result of such service;
 - a dwelling, which forms part of a single property that is being treated by a resident of that property as part of the main dwelling
- 8.4. Section 67(2) of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012) provides that the power to decide to introduce a premium for long term empty homes can only be exercised by full Council.

9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 9.1. The Government have undertaken a formal consultation exercise on the proposed technical reforms.

10 CRIME AND DISORDER IMPLICATIONS

- 10.1. It is possible that taxpayers may not pay the premium and increased council tax recovery action is required to pursue this additional debt.

11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 11.1. The Council will need to monitor and review the properties that are recorded as long term empty and also check to ensure that where taxpayers have said they are occupied that this is correct.

12 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 12.1. None for the purpose of this report