

COUNCIL

25 NOVEMBER 2021

Joint report of the Director of Resources and the Director of Housing

EMPTY HOMES PREMIUM AND UPDATE TO COUNCIL TAX DISCRETIONARY DISCOUNTS POLICY

PURPOSE OF REPORT

The report sets out details of the impact of the empty homes premium adopted by Council in 2018. From 1st April 2019 the Council has charged a 100% premium (i.e. double council tax) on homes empty and unfurnished for more than 2 years. The Council has power to increase the premium for long term empty homes by 200% for homes empty for 5 years or more and 300% for homes empty for 10 years or more. The report requests officers are given approval to consult on adopting additional premiums and subject to that consultation further proposals are brought before Council.

The report also identifies potential changes to the Council's policy for council tax discretionary discounts (under section 13A 1 (c) of the Local Government Finance Act 1992) to allow more flexibility to award a council tax discount to offset the empty homes premium where the applicant provides evidence that they are taking action (e.g. planning application, renovations, marketing) as soon as practicable to bring empty homes back into use, without the need to provide evidence of undue hardship.

RECOMMENDATION

1. That Members note the impact of the 100% premium;
2. That officers consult on the adoption of the 200% and 300% premiums and the changes to the Council's policy for council tax discretionary discounts (under section 13A 1 (c) of the Local Government Finance Act 1992);
3. A further report be brought to Council in January 2022 with the results of the consultation and proposed actions concerning the potential adoption of the 200% and 300% premium and changes to the discounts policy with effect from April 1st 2022.
4. That, in order to prevent further delays, authority be delegated to the Director of Resources to determine outstanding applications or appeals for a council tax discount to offset an empty homes premium, using the approach set out in paragraph 5.7 i.e. without the need to demonstrate financial hardship.

WARDS AFFECTED

All

STRATEGIC LINK

Long Term empty homes represent a wasted resource within the housing stock of the District. Bringing empty homes back in to use will increase the supply of homes available for local people, and therefore supports the District Council's priorities as set out in the Corporate Plan.

1 BACKGROUND

- 1.1 The Community and Environment Committee received a report on the 12th July 2018 concerning the empty homes issue within the Derbyshire Dales. At that time a new Bill relating to a Council Tax Premium on long term empty homes was going through parliament. Noting the likely adoption of the Bill officers sought Council approval to consult on the premium and then seek approval to adopt the 100% premium for homes empty for more than two years.
- 1.2 The consultation exercise ran for 6 weeks ending at the end of October 2018. 227 responses were received. The District Council's website hosted a survey monkey questionnaire. The survey was widely publicised through a press release, an article in Dales Matters, circulation to every parish and town council, contact with known housing agencies and a letter to every owner of a long term empty home. A copy of the 2019 survey can be seen in Appendix 2. The proposed survey will be similar to the 2019 survey. The 2019 consultation results showed very high support (over 70%) for the adoption of the 100% premium. Similarly support was also given for the 200% and 300% premiums for homes empty for over 5 and over 10 years respectively. However at that time the power to adopt the higher premiums was not yet available for councils.
- 1.3 The power to adopt the higher premiums is now place and officers have noted that two other Derbyshire authorities have already adopted the higher premiums. A review of the properties empty for more than 5 and more than 10 years indicates that the same properties remain empty for some considerable time with some empty for more than 15 years. The total number usually averages around 75 homes. Empty homes are a wasted resource and can cause considerable problems for neighbours through heat loss, water ingress and overgrown gardens.

2 GOVERNMENT POLICY ON LONG TERM EMPTY HOMES

- 2.1 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill became law on the 1st November 2018. The Bill gave powers to local authorities to charge a 100% premium (i.e. double council tax) on properties that have been empty for more than two years. The Bill was amended in the Lords by an all-party amendment which introduced the 'escalator amendment'. This amendment allows for council tax to be tripled (by applying a 200% premium) on homes empty for 5 to 10 years and quadrupled (by applying a 300% premium) for those empty for more than a decade. The 'escalator' power was phased in, with the doubling being effective from 1st April 2019, the trebling from 1st April 2020 and the quadrupling from the 1st April 2021. At the time the escalator power was seen not as a revenue raiser for local authorities, but a spur to maximise housing stock availability.

2.2 The most recent debate in the House of Commons concerning the Bill also highlighted several important considerations by the government, notably:-

- When the 50% premium was introduced in 2013, 90% of local authorities took up the power. Since then the number of long term empty homes has fallen by 9% among those councils that adopted the power, every year since 2013.
- The higher premiums should not be used to penalise owners where houses are genuinely on the market for sale or rent and appropriately priced.
- Homeowners will have had sufficient notice concerning the imposition of the 200% and 300% premium by 2020 and 2021 respectively.
- No property covered by existing statutory exemptions can be liable for the premium e.g. a property owned by a member of the armed forces on deployment or where a dwelling cannot be let separately from a main dwelling (e.g. granny flats).

3 THE IMPACT OF THE 100% EMPTY HOMES PREMIUM

3.1 The 100% premium has been in place at Derbyshire Dales District Council for the financial years 2019/20, 2020/21 and the current year 2021/22. Owners of homes that have been empty and unfurnished for more than two years are required to pay a 100% premium on top of their existing council tax bills.

3.2 The income from the premium is shared amongst major preceptors (DDDC, County Council, Police and Fire), with DDDC's share being around 14%. The table below shows the numbers and value for each year, and the share of the premium that is retained by DDDC.

Table 1: The number of empty homes, value of the 100% premium charged and DDDC share

	2019/20	2020/21	2021/22 (forecast)
Number of properties where a premium has been charged	239	272	229
Total value of premiums charged	£259,193	£277,236	£315,941
Value of DDDC's share of the premium	£36,287	£38,813	£44,231

3.3 When the premium was first adopted there was the inevitable push back from owners who felt the premium was unfair. Since that time the impact of the premium has resulted in far fewer complaints to the Housing Team, but the revenues team continue to receive complaints or requests for discretionary discounts to offset it (see section on discretionary discounts below).

3.4 As can be seen in the table below, despite the imposition of the premium for three financial years, the numbers of homes that are empty for more than two years have actually increased from October 2019 to October 2021.

Table 2: Oct 2019 to Oct 2021 changes in empty property numbers by category

	Number of empty properties			
	October 2019	October 2020	October 2021	Change 2019 to 2021
Empty up to 3 months*	295	280	208	-87 (29%)
Empty for more than 3 months but less than 2 years	466	490	387	-79 (17%)
Empty for 2 to 5 years	88	97	106	+18 (20%)
Empty for 5 to 10 years	54	45	37	+17 (31%)
Empty for more than 10 years	33	33	38	+5 (15%)
Total	936	945	776	-160 (17%)

*eligible for 100% reduction i.e. no council tax to pay

- 3.5 Whilst the number of homes empty for less than 2 years has fallen (from 761 in 2019 to 595 in 2021, a reduction of 166 (22%)), the total number of homes empty for more than 2 years has remained mostly unchanged (175 in 2019 to 181 in 2021). There are clearly factors other than the premium at play which are influencing the market. The coronavirus pandemic has caused delays to renovations, which has also impacted numbers of empty homes. The homes empty for more than 5 years and 10 years are not showing any significant signs of change. Leaving property empty for so long often leads to neighbour disputes, deterioration in the property and negatively impacts on the wider street scene.
- 3.6 In summary, the impact of the 100% premium would appear minimal on properties that have been empty for more than 2 years, as evidenced by the overall numbers remaining largely unchanged. Anecdotal evidence from telephone calls from owners and monitoring of Rightmove and planning applications suggests however that some owners are responding to the premium and taking steps to sell, renovate or redevelop some of the more complex properties. However it is worth noting that the population of total properties is not static and as time passes, properties will inevitably move from one category to the next. The financial return to the District Council is also relatively small taking in to account the amount of time it takes to administer the premium. Council staff, particularly in the Council Tax service receive and respond to many owners aggrieved by the imposition of the premium.

4 INTRODUCING HIGHER LEVELS OF PREMIUM

4.1 Forecast income

Using the empty properties as at 1st October 2021 and the average council tax for 2021/22 as a basis, the additional income that would be generated by the higher levels of premium have been estimated to give Derbyshire Dales District Council additional annual income of around £28,000. This is shown in the table below.

Table 3: Forecast annual income from higher empty homes premiums

	Number	Forecast income £	DDDC share of forecast income £
Period empty			
5 - 10 years (extra 100%)	37	69,665	9,753
Over 10 years (extra 200%)	38	130,511	18,272
Total	75	200,176	28,025

Some of this income might be offset by additional discretionary discounts (see below).

- 4.2 Equalities: An Equalities Impact Assessment has been undertaken in relation to the higher premiums. In summary the EIA highlights the relative lack of available information concerning the characteristics of owners of empty homes. It is likely that owners reflect the wider population. It is likely that some owners will be older people or have limited ability to manage their affairs. The number of people likely to be impacted by the premium is under 100.
- 4.3 The role of the proposed empty property officer (see below) is therefore key to providing the advice and support necessary to help owners either renovate, let or sell their property. The EIA also indicated that bringing empty homes back in to use will help increase the supply of homes available for local people and bring investment in to the economy through jobs and services linked to construction.
- 4.4 Consultation: As with the 2018 consultation process for the 100% premium, it is proposed to undertake a widespread consultation process using a surveymonkey questionnaire available on the Council's website. All of the existing owners of empty homes will be contacted about the survey together with key stakeholders including parish and town councils, estate and letting agents, housing associations and pressure groups and others with an interest in empty homes. The survey will take place from the end of November and run through to mid January 2022.
- 4.5 The results of the survey will be reported to Council in January 2022 together with a second report concerning the proposals on adoption of the premium.

5 DISCRETIONARY DISCOUNTS

- 5.1 Some council tax payers apply for a discretionary council tax discount (under section 13A 1 C of the Local Government Finance Act 1992) to offset (effectively remove) the premium from their bills. The cost of these discounts is borne wholly by this Council. Under the Council's policy, before a discount may be awarded there must be evidence that paying the charge would cause undue hardship.

- 5.2 Since the introduction of the empty homes premium the Council's policy for discretionary council tax discounts (under section 13A) has been amended to take account of age restricted accommodation. In Ashbourne particularly there is an over-supply of privately owned older peoples' accommodation. The age restriction has meant homes have a limited market and new supply of competing homes has left families who have inherited property in a difficult financial position. For these Ashbourne properties the following discounts have been awarded:
- £1,908 in respect of two properties in 2019/20;
 - £4,408 in respect of three properties in 2020/21;
 - £4,712 in respect of three properties in 2021/22 so far.

- 5.3 From the start of the coronavirus pandemic the number of applications for discretionary discounts to effectively remove the empty homes premium has increased.

Table 4: DDDC share of the income and the impact of discretionary discounts

Year	2019/20	2020/21	2021/22 (forecast)
Number of properties where a premium has been charged	239	272	229
Total value of premiums charged	£259,193.22	£277,236	£315,941
Value of DDDC's share of the premium	£36,287	£38,813	£44,231
Number of discretionary discounts awarded to "offset" the empty homes premium	6	17	11*
Value of discretionary discounts awarded to "offset" the empty homes premium	£2,310	£15,913.	£16,400*
Net income to DDDC	£33,977	£22,900	£27,831

*Forecast based on applications received to date

- 5.4 If there is an increase in customers claiming 'exceptional circumstances' that they feel will make them eligible for a section 13A discount, it could become more costly/less financially beneficial than expected
- 5.5 Dealing with applications for discretionary discounts is very time consuming for the council tax team and the Director of Resources. There has been an increase in applications since the pandemic, as there have been delays in completing renovations. While the government awarded extra grants in 2020/21 to help with the cost, at the time of writing this report no funding has been awarded for 2021/22. In recent weeks two customers whose applications for a discretionary discount have been rejected have indicated that they will appeal to a Valuation Tribunal. This will create additional work for council tax and legal staff and could result in extra costs for the Council.

- 5.6 It is worth reflecting on the purpose of the empty homes premium, which is to act as an incentive for owners to bring empty homes back into use. Some customers who have been charged the premium have argued that while they cannot provide evidence of undue hardship which is required under the current policy (to award a discount to offset the premium) the fact that they have to pay a premium means that they are being unfairly penalised when they are moving as swiftly as they can to complete renovations, market the property etc. This is especially the case where a customer has purchased a property that has been empty for some time and they “inherit” the empty homes premium and have to pay it from day 1. Some argue that paying the premium means less is available for renovations and this will delay occupation even further. This seems to run against the original intentions for the premium. According to the Government's publication on Council Tax- empty homes premium, guidance for sale & letting (May 2013). Point six states:

“The government’s intention behind the decision to provide billing authorities with the power to charge a premium was not to penalise owners of property that is genuinely on the housing market for sale or rent.”

- 5.7 One solution could be to make changes to the Council’s policy for Council Tax Discretionary Discounts under Section 13A (1) (c) of the Local Government Finance Act 1992 to allow the Director of Resources more flexibility to award a discount to offset the empty homes premium where the applicant provides evidence that they are taking action (e.g. planning application, renovations, marketing) as soon as practicable to bring the empty home back into use, without requiring evidence of undue hardship.
- 5.8 Officer comment: While there would be an additional cost arising from this change to the discounts policy, that would be wholly borne by this Council, the likelihood of an appeal to a Valuation Tribunal, with the potential for additional costs, is reduced.
- 5.9 It is suggested that the proposed consultation should include such a change to the discounts policy.
- 5.10 The Director of Resources currently has several applications for a discount to remove the empty homes premium that are yet to be determined. In some of these cases, applicants have been unable to provide evidence of hardship (so discounts would be refused under the current policy) but the applicants have argued that they are carrying out repairs as soon as they reasonably can and should not be penalised (see paragraph 5.6 above). If Members are minded to support the proposed change to the Council’s policy, it is appropriate to consider a delegation to the Director of Resources to enable these applications to be determined as soon as practicable after this Council meeting, rather than waiting for the results of the consultation and the report to the January Council meeting.

6 WORKING WITH OWNERS OF EMPTY PROPERTIES

- 6.1 The premium is only one tool available to councils concerned about empty homes. Many councils also employ a dedicated post, typically an Empty Property Officer. They play a vital role in advising and supporting owners of property to explore options, helping to publicise the premiums, sign post services to assist owners (how to engage an estate agent, get planning permission, building control services etc.), produce newsletters, develop strategies to support owners e.g. selling to the Council and supporting council housing growth, helping to engage private buyers, taking property to auction etc.
- 6.2 Without a dedicated resource the council lacks the capacity to properly support owners of empty homes and this can place strain on the Council Tax service in particular. The Council previously employed an Empty Property Officer using external grant funding. Over a two year period this post had a significant impact on the total number of empty homes but came to an end when the grant funding expired.
- 6.3 Subject to the adoption of the higher premiums, it is therefore proposed that the Council recruit an Empty Property Officer funded by the Derbyshire Dales proportion of the empty homes premium and any New Homes Bonus.
- 6.4 The Empty Property Officer could also support the Council's climate change objectives, advising on energy efficiency upgrades, compliance with MEES for properties available for rent and assisting with obtaining EPC certificates before sale.
- 6.5 The New Homes Bonus currently includes a financial rewards for every long term empty home brought back into use. The amount varies depending on the national average council tax each year and the council tax band of each empty property. For 2021/22, the average amount that DDDC could receive for each property brought back into use is around £1,400. This source of income could be used towards the cost of an empty property officer.

7 RISK ASSESSMENT

7.1 Legal

The legal powers in relation to this Report are detailed within.

This report is to give feedback to members on the current position / result since taking the decision to implement the premium.

At the Current time, the legal risk has been assessed as low.

7.2 Financial

The report indicates that the District Council's share of the higher empty homes premium is estimated as £28,000 p.a. This will be offset by the cost of any discretionary council tax discounts.

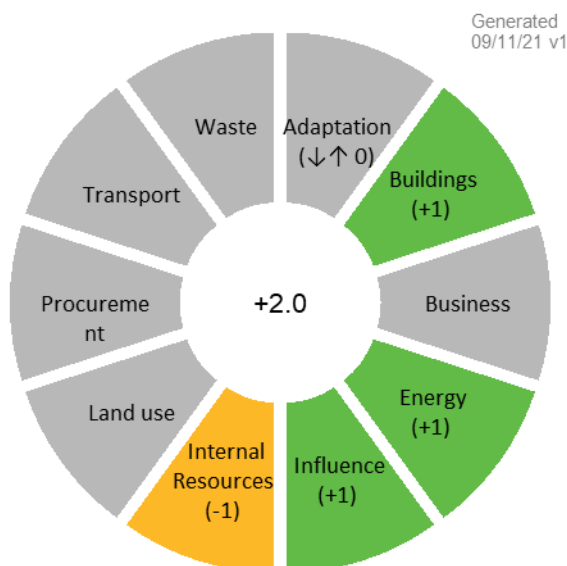
The net income from the above and additional New Homes Bonus (targeted at bring empty properties back into use) will assist the Council in financing an empty property officer.

The financial risk is assessed as low to medium.

8 OTHER CONSIDERATIONS

- 8.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.
- 8.2 The climate change impact assessment identifies that the proposal has the potential to support a decrease in emissions from homes in the district that neighbour empty properties through a reduction in energy required for heating. Reusing existing housing reduces the emissions inherent in the building of new homes and the associated necessary infrastructure. It also ensures the longevity of the existing housing stock, protecting the embodied carbon and decreasing the likelihood of properties deteriorating to the point at which demolition and replacement is needed.

Although the proposed new post represents an increase in emissions in terms of the necessity for the post holder to travel within the district this is mitigated by the wider benefit of bringing back into use a wasted resource within the housing stock of the District. Bringing empty homes back in to use will increase the supply of homes available for local people, and therefore supports the District Council's priorities as set out in the Corporate Plan.



DDDC has committed to being a carbon neutral organisation by 2030 (8 years and 1 months away).

8 CONTACT INFORMATION

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9 BACKGROUND PAPERS

None

10 ATTACHMENTS

Appendix 1 – Breakdown across the main precepting authorities for the next 10 years

Appendix 2 – 2019 Empty Homes Premium Survey

Appendix 1

The table below shows how the existing number of properties, which have been empty for 6 months or more, will generate additional Council Tax revenue over the next 10 years.

Year	Total Amount if 100% still empty	Assumed amount still empty	Total after allowance made for % still empty	DDDC	County	Police	Fire
2019/20	433,415	100%	433,415	50,772	316,192	47,872	18,578
2020/21	954,598	90%	859,138	100,644	626,773	94,894	36,827
2021/22	1,133,234	80%	906,587	106,202	661,389	100,135	38,861
2022/23	1,304,507	70%	913,155	106,972	666,181	100,860	39,142
2023/24	1,649,961	60%	989,977	115,971	722,225	109,345	42,435
2024/25	1,700,723	50%	850,361	99,616	620,371	93,925	36,451
2025/26	1,750,129	40%	700,052	82,008	510,714	77,322	30,008
2026/27	1,835,764	30%	550,729	64,515	401,778	60,829	23,607
2027/28	1,963,671	20%	392,734	46,007	286,514	43,379	16,835
2028/29	2,278,125	10%	227,813	26,687	166,198	25,162	9,765
2029/30	2,292,656	10%	229,266	26,857	167,258	25,323	9,827

Note: the table assumes a 10% reduction per year in the existing number of long term empty properties.