

## CABINET

15 October 2019

### COUNCIL TAX - EMPTY HOME PREMIUM

#### Report of the Strategic Director for Resources

Strategic Aim:	All	
Key Decision: Yes	Forward Plan Reference: FP/060919	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr G Brown, Deputy Leader and Portfolio Holder for Planning, Environment, Property and Finance.	
Contact Officer(s):	Saverio Della Rocca, Strategic Director for Resources (s.151 Officer)	01572 758159 sdrocca@rutland.gov.uk
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Ward Councillors	All	

#### DECISION RECOMMENDATIONS

That Cabinet:

1. Recommends to Council that the premium for long term empty homes be set as follows with effect from 1<sup>st</sup> April 2020:
  - 100% for properties that have been empty for more than two years:
  - 200% for properties that have been empty for more than five years; and
  - from 2021/22 onwards, 300% for properties that have been empty for at least ten years.
2. Recommends to Council that the Strategic Director for Resources be given authority to waive the premium if the empty home is actively and genuinely being marketed for sale or rent or being renovated for occupation in accordance with the procedure set out in Appendix B.
3. Notes that the Local Council Tax Support Discretionary Fund Policy provides support to owners of empty homes who are facing genuine financial hardship.

## **1 PURPOSE OF THE REPORT**

- 1.1 The purpose of the report is to seek approval to change the premium levied on long term empty homes that have been empty and unoccupied for over two years with effect from 1<sup>st</sup> April 2020.

## **2 BACKGROUND AND MAIN CONSIDERATIONS**

- 2.1 Since April 2013, local authorities have been able to charge a premium for long term empty homes. The Council set its premium at the maximum level of 50% from 1st April 2018 following a public consultation (Report 148/2017 and 165/2017). Since then the Government have given local authorities the discretion to increase the premium as follows:

- (i) A maximum of 100% premium for properties that have been empty for more than two years;
- (ii) A maximum of 200% premium for properties that have been empty for more than 5 years; and
- (iii) From 2021/22 onwards, a maximum of 300% premium for properties that have been empty for at least ten years

- 2.2 The Government provide a number of property exemptions at 100% for empty homes that meet certain criteria i.e. the owner is in a care home or the owner has died. The Council has no power to change these. The Government also provided for some exceptions from paying the premium for armed forces personnel who are away from their home as a result of their service and annexes that form part of a single property.

- 2.3 Officers obtained authority from Cabinet on 20<sup>th</sup> August 2019 to undertake a public consultation to ascertain people's views on the premium charged on long term empty homes.

- 2.4 There are two key factors for undertaking a review at this time:

- Financial pressure that the Council continues to face – the Council faces a financial gap of c£1m-£2m over the life of the Medium Term Financial Plan although the extent of the gap is uncertain as future funding is not known. By applying a premium that has the impact of more (or all) empty homes being brought back into the use, the Council would generate more income mainly through New Homes Bonus than it would by empty homes remaining empty and a premium being charged. This would help avoid cuts to services; and
- There is increasing pressure to bring long term empty homes back into use – there are c40 homes in Rutland that have been empty for more than two years. Empty homes can have a negative impact on our community including:
  - 1. A reduction in the value of the property and of neighbouring properties;
  - 2. Environmental risks from vermin and waste;
  - 3. Focal points for illegal and anti-social behaviour such as fly tipping, vandalism and arson;

4. A waste of housing when people are in need; and
5. Increased risk of squatters.

2.5 The Council should consider these factors and the results of the consultation. (which are shown in sections below) when making its decision.

### **3 CONSULTATION ANALYSIS**

3.1 The public consultation was open from 21<sup>st</sup> August 2019 until 2<sup>nd</sup> October 2019. The Council received 125 responses. This represents 0.7% of all taxpayers in the county. Only 9.2% of empty home owners responded. A similar consultation was undertaken in 2017 and 111 responses were received. A full breakdown of all of the responses and a sample of comments is provided in Annexe A.

3.2 The consultation was widely publicised and promoted by:

- A mailshot to 687 taxpayers including all current owners of empty homes, a random selection of residents and recipients of Local Council Tax Support with a link to the online consultation;
- A flyer was included in all communications from the department during the consultation period i.e. new and revised bills, benefit notification letters, invoices;
- Social media announcements;
- Press release;
- Front page news article of the Rutland Times on 06/09/19; and
- Paper forms available upon request via Customer Services.

3.3 Whilst in percentage terms the response rate is very low, we would note the following:

- As indicated above, significant effort has gone into publicising the consultation;
- Anecdotal feedback from other Councils is that they have experienced similar issues;
- Many residents may not be interested as they do not own an empty home;
- Feedback from the Communications team is that 125 responses is not an unreasonable rate of response. A similar exercise was carried out in respect of the Councils most recent budget consultation which drew 32 responses.

3.4 The responses to the questions we asked are detailed in full in the analysis at Appendix A to this report – a summary is detailed below

- Most respondents (over 74%) agree that the Council should do what it can to increase income before it looks at reducing or cutting services.

- Majority of respondents (over 56%) think that we should increase the premium for long term empty homes (35% said we should not). There is a divide between the views of owners of empty homes and residents. 90% of people who told us they owned an empty home were not in favour of increasing the premium, as opposed to 68% of Rutland residents that were in favour.
- Most respondents (76%) think that we should exempt homes from the premium if they are actively and genuinely being marketed for sale or let or being renovated with a view to occupation.
- Most respondents (74%) think that we should support those who are experiencing genuine financial hardship.

3.5 Responders were asked to answer a number of questions and provide comments. Some common themes emerged from the comments as follows:

3.5.1 **Employees and Salaries** - a number of comments were received regarding the number of employees and their salaries; for example, "Be more prudent with salaries, benefits and staffing levels". We often get feedback saying that our staff earn too much, or that pay increases are too high and that we should cut these. We received similar comments in the budget process. Respondents may not be aware of some salient issues.

Firstly, the pay rises given to staff are decided at a national level and agreed with the Unions. Council staff do not give themselves pay rises. The Unions ask for significant pay rises that cover the cost of living but rises have been kept minimal. The average pay rise has been at 2% or lower for the past eight years. There has been no increases at all in some years.

Secondly, salary levels are decided by a Job Evaluation system. If we do not apply the right salary to a job we can end up paying more. For example, in the past, we have pitched social workers salaries too low and struggled to fill social care vacancies as a result. Because we have a statutory duty to provide social care services, we had to pay higher rates for agency and interim workers while we continue to recruit permanent staff. The issue has now been resolved by offering the right salary for social workers.

Many of the £11m savings delivered over the last 8 years includes reducing staffing levels and keeping teams 'lean'. The Council does not see cutting salaries and maintaining current service levels as a viable option.

3.5.2 **Funding from Government** - a number of comments were received regarding negotiating better funding from central government, for example, "I believe you should be negotiating with your government, who are responsible for the successive cuts to English councils' funding". We continually lobby Government on the disparity of funding between rural and urban authorities through the Local Government Association, our local MP- Sir Alan Duncan and by responding to funding consultations. We are trying hard to make our concerns known and will keep trying. The latest Spending Round 2019 has seen the Government indicate more funding will be available to local authorities so we believe the Government is listening but any additional funding will not cover what has been lost.

- 3.5.3 **Use of Council services** - A number of comments were received regarding owners of empty homes not using the services that the Council provides and as such should not be charged a premium, for example, "Why are you paying at all for an empty house; you are not using the services" and "Unfair as hardly any services are used if vacant". We appreciate that owners of empty homes may feel that they are not directly using all of the services provided. However, it is our view that many of the services we deliver do benefit owners of empty homes such as road maintenance, street cleaning, refuse collection etc. In addition, the Council has a statutory duty to provide certain services such as ensuring children and adults are safeguarded. We spend nearly £13m on these areas. All council taxpayers contribute to these services regardless of whether they themselves directly benefit.
- 3.5.4 **Supportive Comments** - a number of comments received were supportive of charging a premium, "If empty home owners are not prepared to actively sell or rent their properties, they should be prepared to pay increased premiums on their council tax bills" and "Houses are meant to be lived in and not left empty in some cases for investment gain, or let the building decay with the hope of demolition and redevelopment to a more financial advantage. Plus an empty house particularly one in poor condition can affect the ambience of an area".

## 4 OTHER FACTORS

- 4.1 In para 2.4 we referenced other factors to consider. Some key points are noted below.
- i) The Council does have a register of c360 people who are seeking housing;
  - ii) We have had complaints from residents about overgrowth of gardens and dilapidation of neighbouring empty homes which is having a negative impact on their own property. e.g. damage caused by falling branches; damage caused by burst water pipes; and
  - iii) We have commenced enforcement action against some owners that have not maintained their empty home and there is a risk to people and the environment.
- 4.2 Whilst the Council accepts that its issues are not the same as those experienced in urban areas, it is wrong to assume that the level of empty homes has no impact.

## 5 WAIVING THE PREMIUM

- 5.1 The Government have prescribed that the premium can't be applied to homes that are left empty due to the occupant living in armed forces accommodation for job-related purposes, or to annexes being used as part of the main property.
- 5.2 The Government has recommended that Councils consider waiving the premium in certain other situations, for example; if the owner is genuinely trying to sell or let the property for a reasonable local market value. The analysis of the consultation tells us that 76% of respondents supported this (Appendix A 3.3)
- 5.3 The comments received were varied, but some points were raised regarding what is a reasonable price, for example, "Who decides reasonable" and "How does the customers prove this as most estate agents offers are verbal". Officers have devised a procedure that will support the decision making process. (Detailed at Appendix B).

- 5.4 The Government has also recommended that Councils consider other local factors as well. Some comments received were regarding empty homes that are purchased with the expressed intention of bringing them back into use and that the owner should not be penalised for doing so. For example “how can it be logical to impose a premium when the actions are in full compliance with your stated objective of bringing property back into use”.

For example, Mr B sells his empty home to Mrs C, because the property has been empty for over 2 years the empty home premium is chargeable. Mrs C has purchased the property to renovate it and occupy it as her family home. It will take some time for Mrs C to obtain planning consent, contract builders to carry out the works etc. In this case we could waive the premium upon evidence and review the situation over time which could include site visits.

- 5.5 Officers have considered this and agree that the premium waiver could be applied in these circumstances, if the owner is actively and genuinely renovating the property for occupation. Officers have devised a procedure that will support the decision making process. This is detailed at Appendix B.

## **6 DISCRETIONARY DISCOUNTS**

- 6.1 The Council has the power to reduce the amount a taxpayer has to pay to such an extent as it sees fit under Section 13A of the Local Government Finance Act 1992. It is recognised that some owner of empty homes may be suffering from genuine financial hardship and they simply cannot afford to pay a premium or and additional Council Tax bill.
- 6.2 The analysis of the consultation tells us that 74% of people think that we should continue to offer a discretionary discount to people who are suffering from genuine financial hardship and the Council supports this view (Appendix A 3.4).
- 6.3 The Local Council Tax Support scheme has an accompanying Discretionary Fund that is utilised for this discount. Officers devised an addendum to the existing policy which was approved by Cabinet on 17/10/2017 (Report 165/2017) to enable awards to be made to provide support to owners of empty homes who are facing genuine financial hardship.

## **7 OUR CONCLUSIONS**

- 7.1 Most people are supportive that we have to generate income and support the premium (see section 3).
- 7.2 There were no credible alternative options put forward that would both encourage bringing homes back into use and generate additional income to protect services.
- 7.3 Many empty homeowners were not supportive and two main arguments were put forward.
- Some misunderstood the principle of council tax and who benefits from services provided as detailed at point 3.1.8 above, and whilst we welcome the feedback, we do not agree with this view.

- Some believed that they may be penalised for buying an empty property with the intention to bring it back into use and state that renovations take time to complete for a number of reasons; e.g. finding a builder, obtain planning consent. The Council understands this difficulty and believes these situations could be covered by the waiver procedure or the discretionary discount (see sections 5&6).

7.4 76% of all respondents to the consultation thought that we should offer an exemption if the owner is actively trying to sell or let the property for a reasonable local market value.

7.5 Based on the above, it is therefore recommended to increase the premium as detailed at 2.1 but to waive the premium in certain cases as proposed in sections 5&6.

## **8 CONSULTATION**

8.1 A public consultation was undertaken from 21<sup>st</sup> August 2019 to 2<sup>nd</sup> October 2019, in order to seek view from taxpayers and stakeholders. A full analysis of the responses and comments made are detailed at Appendix A.

8.2 The Council has consulted with the Leicestershire Fire Authority and the Police and Crime Commissioner for Leicestershire and Rutland but neither has submitted any comments.

## **9 ALTERNATIVE OPTIONS**

9.1 The Council could decide not to review the premium. In light of the comments made in section 2.4, this is not recommended.

## **10 FINANCIAL IMPLICATIONS**

10.1 There are two financial variables that would be impacted by the introduction of the premium:

- If an empty home is not brought back into use we will receive additional council tax £1,995.05 (current Band D rate)
- If an empty home is brought back into use, we receive less council tax (Band D, no premium) but an additional c£6k one off payment for New Homes Bonus (NHB).

10.2 The Council receives NHB funding from central government for properties that have been empty for over six months and have been brought back into use. The Government uses a combination of the number of new homes built and the number of empty homes to work out how much NHB we receive each year. The more empty homes we have the less funding we receive.

10.3 The table below models the financial impact for the Council of empty home reduction rates. It shows that if all homes were brought back into use, the Council stands to gain an extra £600k compared to all empty homes remaining empty (over a 5 year period).

Scenario/Year	No empty homes back into use  (Council Tax charge, plus premium)	50% of empty homes back into use  (Council Tax charge, plus premium, plus NHB)	All empty homes back into use  (Council Tax charge, no premium, plus NHB)
Year 1	£370,500	£322,750	£269,500
Year 2	£370,500	£457,000	£538,000
Year 3	£370,500	£457,700	£538,000
Year 4	£370,500	£457,700	£538,000
Year 5	£370,500	£457,700	£538,000
<b>Total</b>	<b>£1,852,500</b>	<b>£2,150,750</b>	<b>£2,421,500</b>

- 10.4 It is therefore financially beneficial for the Council to have as many empty homes as possible brought back into use which supports both of the key factors detailed at 2.4.
- 10.5 Officers are not able to predict the yield moving forward with any certainty as home owner's behaviour may change as a result of paying more Council Tax or other economic factors may affect the housing market i.e. an increase in interest rates.
- 10.6 The collection rate for Council Tax is 98.8% in year. An increase in the premium may affect in year collection rates if people object or struggle to pay. This can be mitigated by taking prompt and effective enforcement action, remitting some or all of the debt using discretionary powers or waiving the premium if the home is being genuinely marketed for sale or let or being renovated.

## 11 LEGAL AND GOVERNANCE CONSIDERATIONS

- 11.1 The Council has authority to set a premium for long term empty homes under section 12 of the Local Government Finance Act 2012 (which amended the Local Government Finance Act 1992), the Council Tax (Prescribed Class of Dwellings) (England) (Amendment) Regulations 2012 (SI2964/2012) and the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.
- 11.2 The Council has authority to reduce the amount of council tax payable under section 13A of the Local Government Financial Act 1992 as it thinks fit. This section was inserted by the Local Government Act 2003 under Section 76.
- 11.3 The Council must make a determination as to the level of premium before the start of the financial year and publish a notice in the local newspaper. The Council will fulfil this obligation when the Council Tax is set and figures are published in February each year.

- 11.4 When undertaking a consultation exercise, the Council must give genuine and open consideration to the responses received. Failure to do so may lead to the risk of challenge from affected parties.

## **12 DATA PROTECTION IMPLICATIONS**

- 12.1 A Data Protection Impact Assessments (DPIA) has been completed. No adverse or other significant risks/issues were found. A copy of the DPIA can be obtained from (report contact person's details)

## **13 EQUALITY IMPACT ASSESSMENT**

- 13.1 Officers asked for equality and diversity monitoring information as part of the consultation process in order to ensure that responses were received from a representative demographic of the county. A summary of the information gathered is included in Appendix A at 4.1.
- 13.2 An Equality Impact Assessment Questionnaire has been completed and there are no adverse impacts identified.

## **14 COMMUNITY SAFETY IMPLICATIONS**

- 14.1 There are no community safety implications arising from this report.

## **15 HEALTH AND WELLBEING IMPLICATIONS**

- 15.1 There are no health and wellbeing implications arising from this report.

## **16 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 16.1 The premium was set at 50% from 1<sup>st</sup> April 2018, given the financial pressures that the Council is facing and our desire to reduce the number of empty homes in our area, it is recommended that we increase the premium to the maximum permitted by central government. It is also being recommended that we waiver the premium for those who are actively and genuinely trying to sell or rent their empty home or are undertaking renovation works. The Council has undertaken a consultation and generally people are supportive of this.

## **17 BACKGROUND PAPERS**

- 17.1 Report 115/2019
- 17.2 Report 148/2017
- 17.3 Report 165/2017

## **18 APPENDICES**

18.1 Appendix A: Summary of Consultation

18.2 Appendix B: Waiver of Empty Homes Premium procedure

**A Large Print Version of this Report is available upon request  
– Contact 01572 722577.**