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**COUNCIL TAX EMPTY PROPERTY DISCOUNT**

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**Responsible Cabinet Member - Councillor Stephen Harker  
Efficiency and Resources Portfolio**

**Responsible Director - Paul Wildsmith,  
Director of Neighbourhood Services and Resources**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To seek approval to consult on proposals to withdraw the Council Tax discount for empty properties from April 2017.

**Summary**

2. Since April 2013, all Local Authorities have been given flexibility to set their own Council Tax discounts for empty and unfurnished properties, as part of the Local Government Finance Act 2012.
3. On 24 January 2013, Council decided to set the Council Tax discount for empty and unfurnished properties from April 2013 at 100% for a maximum of one month.
4. As the Council's financial position remains challenging, it is now recommended to withdraw the discount altogether from 2017/2018 onwards.

**Recommendation**

5. It is recommended that Cabinet approve the proposed change in paragraph 4 to move forward for consultation.

**Reasons**

6. The recommendations are supported by the following reasons :-
  - (a) The Council has the flexibility to set and review Council Tax discounts for empty and unfurnished properties.
  - (b) A public consultation on the proposal is appropriate, prior to a decision being made.
  - (c) The financial position of the Council has not improved and therefore the withdrawal of the Council Tax empty property discount is appropriate.

**Paul Wildsmith**  
**Director of Neighbourhood Services and Resources**

**Background Papers**

- (i) Local Government Finance Act 2012

Anthony Sandys: Extension 6926

S17 Crime and Disorder	There are no issues
Health and Well Being	There are no issues
Sustainability	There is no environmental impact in this report
Diversity	There are no issues
Wards Affected	All wards are affected, but in particular those with higher numbers of empty domestic properties
Groups Affected	Owners of empty domestic properties would be directly affected by this proposal, including private landlords who may experience void periods in some of their properties
Budget and Policy Framework	The issues contained within this report do not represent a change to Council budget or the Council's policy framework
Key Decision	This is not an Executive decision
Urgent Decision	This is not an Executive decision
One Darlington: Perfectly Placed	This report has implications for the 'Prosperous Darlington' theme of the Sustainable Community Strategy.
Efficiency	Changes to Council Tax charges for empty domestic properties have the potential to generate additional revenue for the Council.

## MAIN REPORT

### Information and Analysis

7. Since April 2013, Councils have been given flexibility to set their own Council Tax discount scheme for empty and unfurnished properties, as part of the Local Government Finance Act 2012. Prior to April 2013, an empty and unfurnished property could be subject to an exemption from Council Tax for up to 6 months, or up to 12 months if the property was undergoing major repairs.
8. Following public consultation and consideration of a number of options, Council decided on 24 January 2013 to set a 100% discount for a maximum of one month for empty unfurnished properties from 1 April 2013. Benchmarking of Darlington's decision found that this was in line with most other Local Authorities in the North East, although some neighbouring Authorities, including Durham and Stockton, decided not to offer any discount at all.
9. Although some concerns were raised at the time about Darlington's decision, support was also given to reducing the previous periods of exemption available. Landlords had indicated to the Council that a full exemption of Council Tax should still be available for short periods, particularly to help out with void periods between tenancies.
10. In considering this change, Council members felt that the previous system of empty property exemptions was too generous and encouraged properties to be left empty for long periods. In line with the Council's policy of reducing empty homes and bringing these back into use, it was felt that the full discount of one month struck the right balance between giving homeowners and landlords relief on their Council Tax for short periods, whilst encouraging properties to be brought back into use as soon as possible.
11. It was also felt that this decision was fair to other Council Tax payers in the Borough, who bear the cost of such discounts.

### The Council Tax Empty Property Discount from 2017/2018 Onwards

12. As the financial position of the Council has not improved, it is now appropriate to undertake a review of the empty property discount and whether the Council should continue to operate such a scheme, or withdraw it altogether from 2017/2018 onwards.
13. **Table 1** shows the gross expenditure for empty property discounts since 2013.

**Table 1** Empty property discount expenditure

Year	Expenditure (£,000)
2013/14	253
2014/15	247
2015/16	258
2016/17 (estimated)	258

14. **Table 2** shows an analysis of the 2015/2016 empty property discount expenditure and the circumstances of the awards. This has been based on a sample of discounts awarded in 2015/2016, however the discounts awarded to Darlington Borough Council Housing properties is based on the actual totals.

**Table 2** Empty property discount awards in 2015/2016

<b>Liabe person</b>	<b>Circumstances of award</b>	<b>Expenditure (£,000)</b>	<b>Percentage of awards</b>
Owner occupier	Owner vacated property before it was sold	112	43.4%
Owner occupier	Owner didn't move into property straight away after it was purchased	9	3.5%
Owner occupier	Owner vacated property to undertake repairs / refurbishment	16	6.2%
Owner occupier	Owner vacated property to rent it out	17	6.6%
Tenant	Tenant vacated property before the tenancy end date	36	13.9%
Private landlord	Property empty after the previous tenant vacated	43	16.7%
DBC Housing	Property empty after the previous tenant vacated	25	9.7%

15. The majority of empty property discount applications are made by owner occupiers (60%) and most of these are where the owner has vacated the property before it is sold. Tenants make up 14% of applications, whilst private landlords account for 17% of applications. 10% of applications are for Darlington Borough Council properties and therefore any withdrawal or reduction in the empty property discount will have a financial implication for the Housing Revenue Account.
16. **Table 3** shows the current arrangements for empty property discounts in other North East Local Authorities, and any future proposals, where known.

**Table 3** – Empty property discounts in the North East

<b>Council</b>	<b>Current empty property discount</b>	<b>Future plans</b>
Darlington	100% discount for a maximum of one month	
Durham	0%	No plans to change
Gateshead	100% discount for a maximum of one month	Currently consulting on plans to remove the empty property discount from 2017/2018
Hartlepool	100% discount for a maximum of one month (50% discount for a maximum of 12 months for properties undergoing major repairs)	No plans to change

<b>Council</b>	<b>Current empty property discount</b>	<b>Future plans</b>
Middlesbrough	0%	No plans to change
Newcastle	100% discount for a maximum of one month	No plans to change
North Tyneside	50% discount for a maximum of 2 months (50% discount for a maximum of 12 months for properties undergoing major repairs)	Currently consulting on plans to remove the empty property discount from 2017/2018
Northumberland	0%	No plans to change
Redcar and Cleveland	0%	No plans to change
South Tyneside	0%	No plans to change
Stockton	0%	No plans to change
Sunderland	100% discount for properties re-occupied within one month, otherwise 25% discount for a maximum of 6 months (25% discount for a maximum of 12 months for properties undergoing major repairs)	No plans to change

17. The majority of Local Authorities in the North East do not offer any empty property discount, or are considering withdrawing the discount.
- (a) Durham, Middlesbrough, Northumberland, Redcar and Cleveland and Stockton have never offered an empty property discount, since 2013 and have not reported any significant issues with this.
  - (b) Gateshead and North Tyneside are currently consulting on proposals and are likely to remove the discount from April 2017.
  - (c) South Tyneside had originally operated a discount scheme from 2013, but withdrew this from April 2015.
  - (d) Newcastle had originally operated an empty property discount from 2013 at 100% for the first month, followed by 25% for the following 5 months. However, from April 2015 they reduced this to just 100% for a maximum of one month.
  - (e) Only Darlington, Hartlepool and Sunderland have operated an empty property discount scheme, which has been unchanged since 2013.

### **Financial implications**

18. The estimated potential savings to Darlington Borough Council by withdrawing the empty property discount are as follows.

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Table 4 – Estimated savings for withdrawing empty property discount (£,000)

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Gross cost of discount (assuming 3.99% increase each year)	268	279	290
Less bad debt provision (assume 72% collection rate)	193	201	209
Less amounts for precepts (83% to Darlington Borough Council)	160	167	173
Potential saving to Darlington Borough Council	<b>(160)</b>	<b>(167)</b>	<b>(173)</b>
Potential cost to the Housing Revenue Account	26	27	28

### **Proposals for consultation**

19. In line with the analysis at paragraph 14, this proposal will impact on the following groups:

- (a) Property owners who vacate their property before it is sold.
- (b) Property owners who do not move into a new property after it is purchased.
- (c) Property owners who vacate their property for other reasons, such as undertaking repairs or refurbishment, or owners who decide to rent the property out.
- (d) Private and social tenants who vacate their property before the tenancy end date.
- (e) Private landlords where a property has become vacant after the previous tenant has left the property.
- (f) Darlington Borough Council Housing, where a Council property has become vacant after the previous tenant has left the property.
- (g) Other Social landlords who have charitable status, such as Housing Associations, will be unaffected by these proposals, as they are able to claim a class B Council Tax exemption on any empty properties for up to 6 months.

20. It is proposed that a public consultation on this proposal should take place, which will entail an on-line survey on the Darlington Borough Council website, together with details on the website and social media.

21. Details of the outcome of the consultation, together with an Equality Impact Assessment will be included in the report back to Cabinet in February 2017. Recommendations for approval to full Council in March 2017 will also be included in this report, for implementation in April 2017.