

Report of:	Executive Director for Growth and Place: Kevin Parkes Executive Member for Regeneration: Councillor Ashley Waters
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Submitted to:	20 th December 2019
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Subject:	Reducing Empty Homes in Middlesbrough
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Summary

Proposed decision(s)
That the Executive approves: <ul style="list-style-type: none"> a) proactively addressing the rising number of empty homes across Middlesbrough through the identified actions; b) the investment of £1.5m in reducing empty homes in Newport and North Ormesby; c) increasing the Council Tax Empty Home Premium in April 2020 from 50% to 100% after two years, and by a further 100% once the property has been empty for five years; and, d) the creation of a full time role within the Revenue and Benefits Service on an ‘invest to save’ basis, to reduce avoidance and increase the collection of Council Tax on empty homes.

Report for:	Key decision:	Confidential:	Is the report urgent?¹
Decision	Affects two or more wards	The report is not confidential	Non-urgent report

Contribution to delivery of the 2018-22 Strategic Plan		
Business Imperatives	Physical Regeneration	Social Regeneration
<p>Ensuring that the Council operates efficiently and effectively so that physical and social regeneration outcomes are maximised.</p> <p>The increased Council Tax and New Homes Bonus contributions will support the Council’s Medium Term Financial plan if supported by additional collection.</p>	<p>Affordable housing will be created, to develop balanced, sustainable communities where people want to live.</p> <p>Empty homes significantly detract from the amenity of neighbourhoods and inhibit investment where they cluster.</p> <p>We will work with communities to redevelop Middlesbrough’s disadvantaged estates, and to put in place the empty homes strategy.</p>	<p>We will work to improve local health and wellbeing, and reduce health inequalities within the town.</p> <p>Empty homes can have a major detrimental impact on the confidence of communities.</p> <p>We will work with local people to improve community life, making sure that all adults, children and young people feel safer and happier where they live.</p>

Ward(s) affected

All wards in Middlesbrough are affected.

What is the purpose of this report?

1. The purpose of this report is to highlight the extent of the empty homes issue in Middlesbrough and outline proposals to proactively tackle the problem. The report also seeks approval to invest £1.5m in bringing empty homes back in to use in Newport and North Ormesby, and increase the additional premium charged to Council Tax for empty properties.

Why does this report require a Member decision?

2. Work to tackle empty homes will be a key decision as dwellings are located in all wards in Middlesbrough and the investment required to create the desired impact is in excess of £150k.

Report Background

Empty Homes in Middlesbrough

3. An empty home can have an adverse effect on the surrounding area and in some cases can affect the value of neighbouring homes, or in extreme cases, an entire street or neighbourhood. An empty home can be a target for crime and antisocial behaviour such as squatting, burglary, copper stripping and arson, and can undermine the feeling of safety within a community. They are also often left to deteriorate, without proper maintenance, with dilapidation causing issues such as damp to neighbouring properties.
4. Council Tax records (August 2019) show that Middlesbrough currently has 2,622 empty homes (4.2% of overall stock), of which 1,451 are classed as long term empties (empty for 6 months or more). TS1 has the highest number of empty homes with 708, with 415 being long term. On average, such properties in Middlesbrough are empty for 1.5 years. *(note: lower figures are also reported for Council Tax purposes, due to a number of exempted properties that are excluded).*
5. As of 1st August 2019, Middlesbrough empty property owners owe £2,712,967 in unpaid Council Tax (an average of £1,034 per property), with the debt on one individual property standing at £15,336. Owners also frequently seek to avoid additional empty property premiums applied to Council Tax, by declaring homes as 'lived in' despite being empty for long periods of time.
6. From 1st September 2019 the contract for managing the housing and welfare needs of asylum seekers in the North East was transferred from G4S to Mears. As part of the transition between accommodation providers some asylum seekers may need to relocate to a new home in the town, which could result in some additional empty homes coming on to the market. The full impact of this on the numbers of empty homes will not be clear until early in 2020.

Current Interventions

7. There are a number of interventions that currently exist, and are regularly used by the Council to tackle empty homes. These include:

Premiums Applied to Council tax

8. If a property has been empty and substantially unfurnished for two years or more, landlords are required to pay an empty home premium on top of the full Council Tax charge for the property. The empty homes premium is intended as an incentive to landlords to ensure properties are occupied as soon as possible. Middlesbrough Council introduced the 50% premium in 2013. In the November 2017 budget, the Government gave Councils the power to increase this to a 100% premium on empty properties. This has not yet been implemented in Middlesbrough.

Enforcement

9. Although the vast majority of empty homes are secured, if the owner of an empty home is unable or unwilling to carry out works to secure the property, a range of enforcement options are available to the Council. These range from the power to secure an empty property from unauthorised access through to taking over management of a property or enforcing the sale. These powers are rarely used, with more reliance on voluntary cooperation. Further powers are more frequently used to force sales of empty homes, where Council Tax debts are pursued through the courts.

Empty Homes Funding

10. Funding is available from Homes England to refurbish empty homes, linked to conditions around future lettings and management arrangements. Over 130 properties in Middlesbrough have been brought back into use through this route since 2014, with the Council investing over £500k of its own funds into facilitating the purchase of empty homes for this programme in North Ormesby.

Achieving Greater Impact

11. Although the interventions listed above have provided some impact, the rising numbers of empty homes will require intervention beyond what has been achieved to date. It is therefore proposed that a multi-agency response is put in place to work with partners such as the Fire Service, Police and major housing providers in the area to identify and address the individual empty homes causing the greatest blight on communities, particularly in Newport and Gresham. This arrangement will incorporate the issues regarding the 'churn' in properties caused by the changeover of asylum housing contracts. This would result in an action plan utilising both the existing tools, and a number of additional interventions set out below:

Increased Use of Management Orders, Enforced Sales and Compulsory Purchase Orders

12. Although these need to be used as a last resort by the Council, and can be resource intensive, there is a need to be more direct in tackling certain properties through these legal routes. Without taking firm action on particular properties, many of the interventions that require voluntary engagement with landlords/owners lack impact.

Buying or Leasing Empty Homes

13. The Council will invest £1.5m of the funding set aside for its Housing Delivery Vehicle (MHomes) to either purchase or lease properties that are causing issues in communities. This resource will be linked to the Homes England grants for

refurbishment, and will be aimed at bringing selected properties back into use. This funding will be concentrated on Newport and North Ormesby, where empty homes have significantly impacted upon the quality of life for residents.

Match Empty Homes with Investors

14. The Council will directly connect the owners of empty homes who want to dispose of them, with investors who want to secure additional properties in the area. This will be done both informally and formally, to ensure private sector investment can be maximised. This element will involve promotional pushes around empty homes, in line with national events such as Empty Property Week, which is next in September 2020.

Maximising Premiums Applied to Council Tax

15. It is recommended that the Council increases the Council Tax premium charged on empty homes from 50% to 100% after two years, and 200% after five years, to encourage owners to bring the properties back into use. This will be allied to an increased effort to enhance investigation and minimise avoidance of additional premiums. A specific resource (1 fte) will be put in place to reduce avoidance and increase collection rates for empty homes on an 'invest to save' basis. The increase in premiums would require Council approval, for implementation in April 2020.

Targets

16. Although the constant churn of property sales, and the volatile nature of the housing market make setting a realistic reduction target across the town virtually impossible, it is intended that the number of empty homes in Newport and North Ormesby can be prevented from increasing further, and eventually reduced over a two year period. Performance against this target will be recorded within the Council's existing performance management framework, and reported to Executive on an annual basis.

What decision(s) are being asked for?

17. That the Executive approves:
 - a) proactively addressing the rising number of empty homes across Middlesbrough through the identified actions;
 - b) the investment of £1.5m in reducing empty homes in Newport and North Ormesby;
 - c) increasing the Council Tax Empty Home Premium in April 2020 from 50% to 100% after two years, and by a further 100% once the property has been empty for five years; and,
 - d) the creation of a full time role within the Revenue and Benefits Service on an 'invest to save' basis, to reduce avoidance and increase the collection of Council Tax on empty homes.

Why is this being recommended?

18. As outlined within the report, the area has a large proportion of empty homes that are causing issues within neighbourhoods across Middlesbrough.
19. A joined up approach is important to take positive steps in stabilising the number of empty homes – particularly in the two communities of Newport and North Ormesby. The Council investing directly in interventions in these two communities is essential to creating an environment in which people want to live.

Other potential decisions and why these have not been recommended

20. Although the Council already intervenes with empty homes issues across the town, the scope of the interventions used mean that the impact is relatively limited. Continuing this activity is essential, but needs to be supplemented by other interventions. The range of options open to the Council are however limited, as is the impact if these are applied only on a town-wide basis. Any approach therefore that didn't increase the pressure on owners to act, combined with increasing the Council's ability to act on specific properties in our most critical communities would have been rejected.

Impact(s) of recommended decision(s)

Legal

21. The implementation of the legal measures listed above (Management Orders, Enforced Sales and Compulsory Purchase Orders) will all require significant input from Legal Services. Although all are well established processes that the Council is able to take advantage of, the complexity of each one makes them a significant piece of work.

Financial

22. The investment of £1.5m previously approved by Executive for use by MHome will enable the Council to take action on specific properties. Purchasing or leasing properties will in itself trigger a series of financial implications, such as the need to fund property and tenant management arrangements. These will need to be developed as individual business cases with the relevant staff from Finance, Governance and Support. The income received from the properties brought back into use would be expected to cover any additional revenue implications of intervening.

23. The £1.5m of funding is to be utilised from the £5m of Section 106 funding approved by Executive on 18th December 2018 for use by MHome. No additional revenue funding is required.

24. Although increasing the additional premium on Council Tax from 50% to 100% (and ultimately 200%) from April 2020 will act as an incentive to bring homes back into use, there is potential for it to lead to an increase in avoidance, unpaid Council Tax and bad debt. This therefore requires a significant effort to address the additional financial issues, and needs to be closely linked to proposals being developed by Revenue & Benefits Services to pursue unpaid Council Tax. A specific resource (1 fte) would be applied to empty homes on an 'invest to save' basis.

Policy Framework

25. The decision will not amend the Council's policy framework. The decision is aligned to the 2018-22 Strategic Plan as it would assist with the access to high-quality homes. The decision would also contribute towards the priority to work with local communities to redevelop Middlesbrough's disadvantaged estates, such as those in North Middlesbrough, and to put in place our empty homes strategy.

26. The decision is also aligned to the Medium Term Financial Plan as the Council have the ability to claim income from New Homes Bonus by bringing back in to use long term empty properties, and reduce the level of Council Tax owed by long term empty property owners.

27. A formal determination will need to be made by Council to implement the increased Council Tax premium, which will be brought forward for implementation in April 2020.

Equality and Diversity

28. An initial assessment has been undertaken, which did not identify any significant issues at this stage.

Risk

29. O1-052 - Substantial areas of the town have high residential voids/low sales values and high population churn, effectively creating market failure resulting in significant social consequences which in turn have implications for Council resources and service delivery. Such an approach is unsustainable and will result in the need for significant market intervention at great cost to the Council.

30. Clusters of empty homes can be particularly problematic by putting pressure on Council and partner services, destabilising areas and discouraging investment.

31. Should the recommendations not be approved, Middlesbrough could see the number of empty properties continue to rise, causing further negative impacts on communities.

32. The focus on preventing Council Tax premium avoidance, and the additional (invest to save) resource focused on empty homes will contribute to achieving maximum impact from the measures and ensuring that risks relating to Council Tax collection levels (08-054 & 08-075) are mitigated.

Actions to be taken to implement the decision(s)

33. The actions required to implement the decision will include:

- a. forming a working group with the police and Fire Service;
- b. agreeing pathways for implementing legal orders to take action;
- c. identifying priority properties to address;
- d. develop 'invest to save' proposal with Revenue and Benefits Services for additional investigation resource;
- e. work with investors to understand and feed demand for purchasing empty homes; and
- f. present a formal determination to Council in April 2020 that will enable changes to the empty homes premium.

Background papers

34. No background papers were used in the preparation of this report.