

CABINET MEETING – 14th MARCH 2024

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Council Tax Premiums and Discounts

Author(s):

Director of Finance

Purpose of Report:

The purpose of the report is to provide details of, and seek approval to, the legislative Empty Homes Premium and Second Homes Premium provided for in the Levelling Up and Regeneration Act 2023 which billing authorities may charge and seek approval to consult in relation to proposed changes to council tax discounts.

Description of Decision:

Cabinet is asked to:

- a) approve the reduction in the amount of time a property needs to be classed as empty and unfurnished before a 100% Council Tax premium is applied from the current two years to twelve months from 1st April 2025;
- b) agree to introduce a 100% Council Tax premium for those properties classed as a 'second home' from 1st April 2025; and
- c) authorise the Director of Finance to consult on proposed changes to the award of council tax discounts as detailed in section 4 of the report.

Is the decision consistent with the Budget/Policy Framework?

Yes

Suggested reason(s) for Decision:

Applying a reduced period of time before the empty homes premium can be applied in line with national legislation will assist with encouraging empty homes to be brought back into use. Application of the second homes premium will deliver additional council tax income for the council and its precepting bodies. The earliest that the Second Home Premium of 100% could be applied is 1st April 2025 as the Council's first determination on using Section 80 of the Act, must be made at least one year before the beginning of the financial year to which it relates. It would generate increased revenue income by increasing the amount of council tax paid by second homeowners.

Alternative options to be considered and recommended to be rejected:

With regard to Empty Homes Premium, there was an option available to leave the qualifying period at two years. However, by applying the premium earlier it is likely to accelerate the rate at which unoccupied properties are either sold on or brought back in to use. Similarly, there is an option not to introduce the Second Home Premium, this is rejected on the basis that it would impact on the amount of council tax that could be raised.

Impacts analysed;

Equality Y Privacy Y Sustainability Y Crime and Disorder Y

Is the Decision consistent with the Council's co-operative values?	Yes
Is this a "Key Decision" as defined in the Constitution?	Yes
Is it included in the 28-day Notice of Decisions?	Yes

COUNCIL TAX PREMIUMS AND DISCOUNTS**REPORT OF THE DIRECTOR OF FINANCE****1. Purpose of the Report**

- 1.1 The purpose of the report is to provide details of, and seek approval to, the legislative Empty Homes Premium and Second Homes Premium provided for in the Levelling Up and Regeneration Act 2023 which billing authorities may charge and seek approval to consult in relation to proposed changes to council tax discounts.

2. Description of Decision

- 2.1 Cabinet is asked to:
- a) approve the reduction in the amount of time a property needs to be classed as empty and unfurnished before a 100% Council Tax premium is applied from the current two years to twelve months from 1st April 2025;
 - b) agree to introduce a 100% Council Tax premium for those properties classed as a 'second home' from 1st April 2025; and
 - c) authorise the Director of Finance to consult on proposed changes to the award of council tax discounts as detailed in section 4 of the report.

3. Introduction / Background**Premiums**

- 3.1 Cabinet on 16th January 2019 agreed to the application, from 1st April 2019, of the additional 'Empty Homes Premium' consistent with legislative changes set out in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018. Specifically, the following premiums were to be applied:

For the financial year beginning 1st April 2019 the additional premium to apply is 100% for properties that have been empty for at least two years.

For the financial year beginning 1st April 2020 the additional premiums to apply were:

- 100% for properties that have been empty for at least two years; and
- 200% for properties that have been empty for at least five years or more.

For the financial year beginning 1st April 2021 onwards the additional premiums to apply were:

- 100% for properties that have been empty for at least two years;
- 200% for properties that have been empty for at least five years but less than ten years; and
- 300% for properties that have been empty for at least ten years.

- 3.2 In February 2022, the Government published the Levelling Up the United Kingdom White Paper which included provision for local authorities to apply extra Council Tax charges on properties defined as dwellings occupied periodically, also known as

Second Homes and to reduce the amount of time a property needs to be classed as empty and unfurnished before a premium can be applied.

- 3.3 On 26th October 2023 the Levelling-Up and Regeneration Bill received Royal Assent and became the Levelling-Up and Regeneration Act 2023. ("the Act"). Within the Act there is a change to existing legislation relating to Council Tax. Section 80 of the Act introduces a new section 11c into the Local Government Finance Act 1992. This change allows a Council Tax Premium to be charged against dwellings that are known as "second homes". The Second Home Premium that can be applied is up to 100% of the Council Tax liability. The Act also amended the definition of the duration of a 'long term empty dwelling' from two years to one enabling local authorities to charge the 100 percent premium a year earlier. Second homes are no one's sole or main residence and which are furnished and for example could be a property occupied as a holiday home or when working away from the household's main home.
- 3.4 As part of the Government's consultation ahead of the Act, the Government emphasised the need to consider the application of the premium in the context of where a dwelling was being actively marketed for sale or rent – this would require appropriate and robust evidence including for example that the property should be advertised through an estate agent, and at a realistic market value. Similarly, those dwellings undergoing major repair works or structural alternations should be an exception to the premium for up to 6 months once the exception has been applied or when the work has been completed, whichever is the sooner. Despite the consultation closing on 31st August 2023, the Government has yet to publish their response. Any guidance that emerges will be taken into account as appropriate when applying the proposed premiums.

Discounts

- 3.5 The application of council tax discounts was approved by Cabinet in January 2013 and effective from 1st April 2013 with Cabinet subsequently clarifying the definition of Class C and Class D discounts on 16th January 2019.
- 3.6 Class C discounts apply to properties which are unoccupied and substantially unfurnished and are either reoccupied within one month (100% discount) or a discount of 25% will be awarded from the day the property first becomes unoccupied and unfurnished for a single, continuous period of up to six months.
- 3.7 Class D discounts apply to a dwelling that is unoccupied and substantially unfurnished and either:
- Requires or is undergoing major repair work to render it habitable; or
 - Is undergoing structural alteration; or
 - Has undergone major repair work to render it habitable if less than six months have elapsed since the date on which the alteration was substantially completed and the property has continuously remained vacant since that date.

Provided that it has not been such a dwelling for a continuous period of 12 months or more.

A discount of 25% is awarded from the day the property first meets the above criteria for a single continuous period of up to 12 months.

4. Current Position

- 4.1 The Levelling-up and Regeneration Act 2023 enables billing authorities to charge up to 100 percent extra of the standard council tax bill that would be payable if the property was occupied by two adults and no discounts were applicable. The decision to apply the charge / premium must be made by the Council at least one year before the beginning of the financial year in which the charge is to be applied, i.e., given that the Act has only recently come in to force, the earliest the charge can be applied to second home dwellings would be 1st April 2025.
- 4.2 It is proposed that the Council implements this additional charge / premium from 1st April 2025 in line with the legislation and which is consistent with the approach being taken by other councils in the region. There are currently 880 properties which may be classed as second homes within the Council area – the numbers and precise locations varies over time and would be taken into account when the Council sets its council tax base for 2025/2026 in January 2025.
- 4.3 It is estimated that there are 864 dwellings which may be impacted by the proposed reduction in the amount of time a property needs to be classed as empty and unfurnished before a 100% Council Tax premium is applied. Given the long lead in time (over 12 months) this position is likely to change with the actual position forming part of the council tax base calculation in January 2025. Again, the proposed implementation of this measure is consistent with other councils in the region.
- 4.4 Class C discounts are challenging to administer given their complexity and do not encourage empty properties to be brought back into use – they provide a reduction from the standard council tax charge for a fixed period of time. The discounts are applied on a case by case basis with c. 1,000 properties benefitting from this discount during the course of the current financial year. Other councils in the region have previously abolished this discount and it is proposed that the Council consults upon setting the discount level at 0% from 1st April 2025.
- 4.5 Class D discounts are challenging to administer and provide a reduction from the standard council tax charge for a maximum fixed period of time. The discounts are applied on a case by case basis with only a small number of properties c. 18 benefitting from this discount during the course of the current financial year. Other councils in the region have previously abolished this discount and it is proposed that the Council consults upon setting the discount level at 0% from 1st April 2025. As set out at paragraph 3.4 above it may be following the Government's response to the consultation undertaken that these properties would in the future potentially be exempt from the application of any premium for a limited period of time.
- 4.6 It is proposed that an online public consultation is undertaken with regard to the proposed removal of the discounts and that the outcome of which is considered by Cabinet as part of its determination of the council tax base in January 2025.

5. Reasons for the Decision

- 5.1. Applying a reduced period of time before the empty homes premium can be applied in line with national legislation will assist with encouraging empty homes to be brought back into use. Application of the second homes premium will deliver additional council tax income for the council and its precepting bodies. The earliest that the Second Home Premium of 100% could be applied is 1st April 2025 as the Council's first determination on using Section 80 of the Act, must be made at least

one year before the beginning of the financial year to which it relates. It would generate increased revenue income by increasing the amount of council tax paid by second homeowners.

6. Alternative Options

- 6.1 With regard to Empty Homes Premium, there was an option available to leave the qualifying period at two years. However, by applying the premium earlier it is likely to accelerate the rate at which unoccupied properties are either sold on or brought back in to use. Similarly, there is an option not to introduce the Second Home Premium, this is rejected on the basis that it would impact on the amount of council tax that could be raised.

7. Impact Analysis

- a) **Equalities** – The policy applies consistently throughout the city and no protected group will be impacted more than any other as the policy will apply to all owners of empty properties. The positive impacts of the policy will be felt from the improvement in areas which are currently affected by long term empty properties. Introducing a policy which will help encourage the owners of these properties to bring them back into use will benefit the whole community in these areas and make places safer and more attractive to live. This should also lead to reduction in crime, anti-social behaviour and community safety. An Equality Impact Assessment is attached as part of Integrated Impact Assessment at Appendix 2.

8. Other Relevant Considerations / Consultations

- a) **Financial Implications** – The implementation of the proposals contained within the report will lead to increased revenue from council tax from 2025/2026 onwards. The amount will be determined by the prevailing number of properties in relation to each proposal at the time at which the council tax base is determined for 2025/2026 (and in subsequent years).
- b) **Legal Implications**
Sections 79 and 80 of the Levelling Up and Regeneration Act 2023 have amended the previous provisions contained within the Local Government Finance Act 1992 in relation to the empty homes and 'second homes' premiums. The proposals set out in this report are in accordance with the amended legislative provisions.
- c) **The Public / External Bodies** – consultation in respect of the proposed amendment to the Class C discount is to be undertaken and the outcome of which will subsequently be considered by Cabinet when determining the council tax base for 2025/2026.

9. Background Papers

Cabinet Report 16th January 2019 – Council Tax Base 2019/2020