



Agenda

Meeting: Executive

To: Councillors Carl Les (Chairman), Gareth Dadd, Derek Bastiman, Michael Harrison, Simon Myers, Janet Sanderson, David Chance, Keane Duncan, Greg White and Annabel Wilkinson.

Date: Tuesday, 20th September, 2022

Time: 11.00 am

Venue: Meeting Room 3, County Hall, Northallerton, DL7 8AD

Business

7. Council Tax Premiums on Second Homes & Empty Properties (Pages 3 - 12)

Recommendations –

Executive Members are asked to consider the contents of this report and recommend that Full Council approve in principle:

- i. that the following additional Council Tax premiums be applied from 1 April 2024, subject to the required legislation being in place:
 - 100% premium for properties which have been empty and unfurnished for a period of between 1 and 2 years;
 - 100% premium for second homes.

Barry Khan
Assistant Chief Executive
(Legal and Democratic Services)

County Hall
Northallerton

Tuesday, 13 September 2022

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NORTH YORKSHIRE COUNCIL

EXECUTIVE

20 SEPTEMBER 2022

Council Tax Premiums on Second Homes & Empty Properties

1.0 PURPOSE OF REPORT

- 1.1 To determine options for proposed changes to Council Tax premiums - as included within the Levelling Up and Regeneration Bill – which, subject to the Bill receiving Royal Assent prior to 31 March 2023, are due to become effective from 1st April 2024.

2.0 EXECUTIVE SUMMARY

- 2.1 As billing authority, the new North Yorkshire Council must adopt policies for the application of discretionary Council Tax premiums across the whole of the North Yorkshire Council area. The proposals for the year commencing 1st April 2023 were presented to the Executive on 5th July 2022 and were subsequently approved by County Council on 20th July.
- 2.2 The report that was presented to the Executive on 5th July 2022 set out details of further discretionary Council Tax premium options on empty properties and second homes, which were proposed in the Government's May 2022 Levelling Up and Regeneration Bill (the Bill). The report recognised that those further options would become available to billing authorities with effect from 1 April 2024 at the earliest, and were subject to the Bill receiving Royal Assent.
- 2.3 Billing authorities that wish to adopt any changes arising from the Bill are required to make a Council resolution confirming their requirements at least 12 months prior to the financial year in which the changes will come into effect; meaning that the Bill will need to obtain Royal Assent prior to 31st March 2023 in order to adopt the changes for the year commencing 1 April 2024.
- 2.4 This report sets out the recommendations for Council Tax premiums on empty properties and second homes for the North Yorkshire Council area if the proposals set out within the Bill achieve Royal Assent. Early, in principle agreement to the proposals will allow the Council to make timely decisions if and when Royal Assent is granted.

3.0 BACKGROUND

- 3.1 The government encourages all billing authorities to adopt Council Tax premiums on empty properties with a view to incentivising property owners to bring those properties back into use. Premiums can currently be charged where properties are left unoccupied and unfurnished for periods exceeding 2 years.
- 3.2 In May 2022 the Government published the Levelling Up and Regeneration Bill (the Bill). The Bill includes proposals aimed at further addressing empty properties through the application of Council Tax premiums, in addition to measures which

recognise the impact that high levels of second home ownership can have in some areas.

3.3 Through the Bill it is the Government's intention to:

- a) reduce the minimum period for the implementation of a Council Tax premium for empty premises from two years to one year; and
- b) allow Councils to introduce a Council Tax premium of up to 100% in respect of second homes.

3.4 The changes outlined in 3.3 are subject to the Bill receiving Royal Assent, and will become effective from 1 April 2024 at the earliest. In its current form the Bill requires billing authorities to make a resolution confirming their intentions on the application of the premiums at least 12 months prior to the financial year in which the changes will come into effect; meaning that the Bill will require Royal Assent to be obtained prior to 31st March 2023 in order for billing authorities to be given the powers to make a resolution and adopt the changes for the year commencing 1 April 2024.

3.5 Despite recent political unrest in Westminster it is understood that the Bill continues to make its way through Parliament, with an aim of it obtaining Royal Assent in 'spring 2023'. It is currently uncertain whether the Royal Assent will have been granted in time to allow the changes to be implemented in the 2024 year.

3.6 This report seeks an in principle decision from members to agree proposals in regards to the Council Tax premium proposals set out within the Bill, subject to Royal Assent being obtained. An early, in principle decision is recommended to allow timely decisions to be made if and when the Royal Assent is granted.

3.7 Second home ownership within the North Yorkshire area is significant and is recognised to have a negative impact in terms of the supply of homes available to meet local housing need.

3.8 Initial, high level analysis, shows that the application of a 100% premium on second homes within North Yorkshire could generate in excess of £14m in additional Council Tax revenue, as detailed in the table below.

Potential Council Tax revenue generated from a 100% premium on Second Homes

	£'000
Craven	1,564
Hambleton	1,003
Harrogate	1,598
Richmondshire	1,870
Ryedale	1,502
Selby	260
Scarborough	7,011
TOTAL*	14,808

* excluding allowance for non-collection

3.9 Income generated from the premium would be shared across all preceptors (including the Police and Fire Authority), although the majority of revenue (circa 80%) would benefit the new North Yorkshire Council.

- 3.10 A number of concerns have been raised in regards to whether the application of a second homes premium might encourage Council Tax “avoidance”, for instance by the owners of such properties transferring the property to business rates. Given that the Council Tax rates for second homes mirror those of main residences there may also be issues with the current classification of properties within each district’s Council Tax system, and the application of a second homes premium may prompt owners to reclassify properties for genuine reasons; reducing the potential revenue that might be derived from the premium and the figures quoted in the table above.
- 3.11 Currently, properties that are available to let for more than 20 weeks (140 days) in a calendar year can be rated as business rates by the Valuation Office Agency (VOA). The only detail needed to support such a claim is evidence of an advertisement for let for the property. From April 2023 this criteria will still apply but additionally it must be demonstrated that the property was available to let for more than 20 weeks in the previous year, and proof must be provided that the property was actually let for short periods totalling at least 70 days. The burden of providing evidence to support future changes will be the homeowners and will be verified by the Council and reported to the VOA. This change should ensure that any properties transferring from Council Tax to Business Rates relate to genuine circumstances where the property is being utilised for business purposes.
- 3.12 Another concern that has been mooted is that couples who own second homes may claim that they are living separately and are single occupants of each respective property. If such cases arise there will be mechanisms available to North Yorkshire Council to check the circumstances giving rise to any discount or exemption claimed, including single person discounts. These circumstances can be verified against the information that has been supplied to the council to claim the reduction. Financial penalties can be imposed where false information is provided and will assist in ensuring that data held is accurate.
- 3.13 Legislation to apply a 100% premium on second homes was introduced in Wales in 2017/18 and the premium was paid on 24,873 properties in the 21/22 year. This number had increased across Wales by 2,005 from the number recorded at the outset of the scheme in 2017-18. Some areas, which historically had the highest number of second homes (e.g. Gwynedd), have seen downward adjustments to the numbers of recorded second homes and the maximum recorded reduction in any area is 9%. It is uncertain whether these downward trends have been triggered by avoidance loopholes, or are evidence that the premiums have achieved one of the intended outcomes of bringing second homes back into use as mainstream housing provision.
- 3.14 The second homes figures in Wales suggest that regardless of any avoidance issues that might remain within the system there should still be sufficient incentive for the Council to consider a Council Tax premium on second homes in order to help address the issues caused by second home ownership within the area.

6.0 CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 6.1 It is recommended that the Council gives in principle approval to implement the following recommendations with effect from 1st April 2024, subject to the referenced legislation being in place:
- to adopt a 100% Council Tax premium in respect of second homes;

- to adopt a 100% premium for empty premises that have been left unoccupied and substantially unfurnished for a period of between 1 and 2 years;

6.2 The additional premiums will further incentivise the occupation of empty properties as well as generate additional Council Tax income (estimated at up to £14m) for precepting bodies; facilitating the delivery of essential front line services within North Yorkshire, including potential further investment to address local housing supply.

6.2 The key rationale for the recommendations proposed within the report is to:

- Implement a consistent policy approach for empty property and second home premiums across the whole of the North Yorkshire area;
- Incentivise the occupation of empty properties;
- Discourage, or generate additional income from, second home ownership in order to ensure the supply of homes to meet local housing needs.

7.0 LEGAL IMPLICATIONS

7.1 The recommendations set out within this report are subject to the Levelling Up and Regeneration Bill receiving Royal Assent.

8.0 CLIMATE CHANGE IMPLICATIONS

8.1 None

9.0 EQUALITIES IMPLICATIONS

9.1 An Equality Impact Assessment has been completed and is attached as an Appendix to this report.

10.0 RECOMMENDATIONS

10.1 Executive Members are asked to consider the contents of this report and recommend that Full Council approve in principle:

- i. that the following additional Council Tax premiums be applied from 1 April 2024, subject to the required legislation being in place:
 - 100% premium for properties which have been empty and unfurnished for a period of between 1 and 2 years;
 - 100% premium for second homes.

Gary Fielding
Corporate Director, Strategic Resources

Report prepared by Kerry Metcalfe and Sherri Williamson (Scarborough Borough Council)

20 September 2022

Equality impact assessment (EIA) form: evidencing paying due regard to protected characteristics

(Form updated November 2021 – for LGR use)

Council Tax Premiums on Second Homes and Empty Properties

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যদি আপনি এই ডকুমেন্ট অন্য ভাষায় বা ফরমেটে চান, তাহলে দয়া করে আমাদেরকে বলুন।

如欲索取以另一語文印製或另一格式製作的資料，請與我們聯絡。

اگر آپ کو معلومات کسی دیگر زبان یا دیگر شکل میں درکار ہوں تو برائے مہربانی ہم سے پوچھئے۔

Equality Impact Assessments (EIAs) are public documents. EIAs accompanying reports going to Councillors for decisions are published with the committee papers on our website and are available in hard copy at the relevant meeting. To help people to find completed EIAs it is good practice to publish them. This will help people to see for themselves how we have paid due regard in order to meet statutory requirements.

Please note: The decision has been made to complete EIAs at LGR programme level, workstream level and individual project level. The EIAs must be updated throughout the process of reorganisation and transformation.

Name of Workstream	LGR Revenues Group
Lead Officer and contact details	Kerry Metcalfe and Sherri Williamson
Names and roles of other people involved in carrying out the EIA	LGR Revenues group with representatives from each of the existing districts
How will you pay due regard? e.g. working group, individual officer	Working Group
When did the due regard process start?	June 2022

Section 1. Please describe briefly what this EIA is about. (e.g. are you starting a new service, changing how you do something, stopping doing something?)

Implementation of proposals to introduce Council Tax Premiums on second homes and properties that remain unoccupied and unfurnished for periods exceeding 1 year; as detailed in the Government's Levelling Up and Regeneration Bill (the Bill).

The legislation to allow such changes to be introduced remains subject to the Bill obtaining Royal Assent, and the changes will not be implemented until 1 April 2024 at the earliest.

Section 2. Why is this being proposed? What are the aims? What does the authority hope to achieve by it? (e.g. to save money, meet increased demand, do things in a better way.)

The proposals follow the Government's publication of the Levelling up and Regeneration Bill, which sets out proposals to introduce new legislation to apply additional Council Tax premiums on second homes and properties that have been empty for a period of more than 1 year.

The proposals will generate additional Council Tax revenue for precepting bodies; facilitating the delivery of essential front line services within North Yorkshire, including potential further investment to address local housing supply.

The key rationale for the recommendations is to:

- Implement a consistent policy approach for empty property and second home premiums across the whole of the North Yorkshire area;
- Incentivise the occupation of empty properties;
- Discourage, or generate additional income from, second home ownership in order to ensure the supply of homes to meet local housing needs.

Section 3. What will change? What will be different for customers and/or staff?

A 100% premium will be charged on second homes and properties that have remained empty for a period of between 12 months and 2 years (premiums are already in place for properties that have been empty and unfurnished for periods exceeding 2 years).

Section 4. Involvement and consultation (What involvement and consultation has been done regarding the proposal and what are the results? What consultation will be needed and how will it be done?)

Representatives including senior officers from each of the district councils have been involved in the creation of the proposed policy.

The Bill is not expected to receive Royal Assent until spring 2023 therefore any affected ratepayers will be able to make representations prior to the proposals coming into effect.

Section 5. What impact will this proposal have on council budgets? Will it be cost neutral, have increased cost or reduce costs?

The proposed changes will increase the levels of Council Tax income generated for the new Council and its preceptors.

Section 6. How will this proposal affect people with protected characteristics?	No impact	Make things better	Make things worse	Why will it have this effect? Provide evidence from engagement, consultation and/or service user data or demographic information etc.
Age	X			The changes to policy will apply to all taxpayers who have dwellings which meet the criteria irrespective of whether they have any protected characteristics or not.
Disability	X			
Sex	X			
Race	X			
Gender reassignment	X			
Sexual orientation	X			
Religion or belief	X			
Pregnancy or maternity	X			
Marriage or civil partnership	X			

Section 7. How will this proposal affect people with the following characteristics	No impact	Make things better	Make things worse	Why will it have this effect? Provide evidence from engagement, consultation and/or service user data or demographic information etc.
Live in a rural area		X		The changes to policy will apply to all taxpayers who have dwellings which meet the criteria irrespective of whether they have any protected characteristics or not.
Have a low income		X		
Carers (unpaid family or friend)	X			Second Home ownership is acknowledged to drive up house prices in popular areas, and as a result long-term residents can find themselves priced out of the local housing market. This may particularly affect those living in idyllic rural and coastal areas within North Yorkshire. The proposals to apply Council Tax premiums on second homes should help to address this issue, or create
Health and wellbeing issues	X			

				additional Council Tax funding to support local housing supply.
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Section 8. Geographic impact – Please detail where the impact will be (please tick all that apply)	
North Yorkshire wide	The proposals will affect all district areas but the effects will be more prominent where there are higher levels of second homes ownership in an area. The Scarborough district area has the most significant concentration of second homes therefore will be the area most affected.
Craven district	
Hambleton district	
Harrogate district	
Richmondshire district	
Ryedale district	
Scarborough district	
Selby district	
If you have ticked one or more districts, will specific town(s)/village(s) be particularly impacted? If so, please specify below.	
Tourism destinations with higher concentrations of second home ownership will be most affected.	

Section 9. Will the proposal affect anyone more because of a combination of protected characteristics? (e.g. older women or young gay men) State what you think the effect may be and why, providing evidence from engagement, consultation and/or service user data or demographic information etc.
The changes to policy will apply to all taxpayers who have dwellings which meet the criteria irrespective of whether they have any protected characteristics or not.

Section 10. Next steps to address the anticipated impact. Select one of the following options and explain why this has been chosen. (Remember: we have an anticipatory duty to make reasonable adjustments so that disabled people can access services and work for us)	Tick option chosen
1. No adverse impact - no major change needed to the proposal. There is no potential for discrimination or adverse impact identified.	X
2. Adverse impact - adjust the proposal - The EIA identifies potential problems or missed opportunities. We will change our proposal to reduce or remove these adverse impacts, or we will achieve our aim in another way which will not make things worse for people.	
3. Adverse impact - continue the proposal - The EIA identifies potential problems or missed opportunities. We cannot change our proposal to reduce or remove these adverse impacts, nor can we achieve our aim in another way which will not make things worse for people. (There must be compelling reasons for continuing with proposals which will have the most adverse impacts. Get advice from Legal Services)	
4. Actual or potential unlawful discrimination - stop and remove the proposal – The EIA identifies actual or potential unlawful discrimination. It must be stopped.	

Explanation of why option has been chosen. (Include any advice given by Legal Services.)
 There is a requirement to unify all areas within North Yorkshire. This policy will apply a unified approach whilst at the same time incentivising the use of empty premises and discouraging or generating additional income from properties used as second homes.

Section 11. If the proposal is to be implemented, how will you find out how it is really affecting people? (How will you monitor and review the changes?)
 The new policy will be monitored once it comes into effect and, if required, a further report will be provided for Council consideration should changes be required.

Section 12. Action plan. List any actions you need to take which have been identified in this EIA, including post implementation review to find out how the outcomes have been achieved in practice and what impacts there have actually been on people with protected characteristics.

Action	Lead	By when	Progress	Monitoring arrangements

Section 13. Summary Summarise the findings of your EIA, including impacts, recommendation in relation to addressing impacts, including any legal advice, and next steps. This summary should be used as part of the report to the decision maker.

The implementation of the proposal is subject to the Levelling Up and Regeneration Bill obtaining Royal Assent.

The rationale for the recommendations is to:

- Implement a consistent policy approach for empty property and second home premiums across the whole of the North Yorkshire area;
- Incentivise the occupation of empty properties;
- Discourage, or generate additional income from, second home ownership in order to ensure the supply of homes to meet local housing needs.

Section 14. Sign off section

This full EIA was completed by:

Name: Kerry Metcalfe
Job title: Head of Finance, Scarborough Council
Signature:

Completion date: 12 Sept 2022

Authorised by relevant senior officer (signature): Gary Fielding

Date:12 Sept 2022