

NORTH YORKSHIRE COUNCIL

EXECUTIVE

5 JULY 2022

Council Tax Discounts and Premiums

1.0 PURPOSE OF REPORT

- 1.1 To determine the level of localised Council Tax discounts and premiums to be applied by the new North Yorkshire Council with effect from 1 April 2023
- 1.2 To determine options for proposed changes to Council Tax premiums - as included within the Levelling Up and Regeneration Bill - which are due to become effective from 1st April 2024 but require a resolution of Full Council by no later than 31 March 2023.

2.0 EXECUTIVE SUMMARY

- 2.1 As billing authority, the new North Yorkshire Council must adopt policies for the application of discretionary Council Tax discounts and premiums for the year commencing 1st April 2023. The proposals must be adopted by Full Council by 31 March 2023, however early approval is recommended in order that the financial implications of the decisions can be accommodated within the new organisation's budget and Council Tax setting process. It is intended that a unified approach to discounts and premiums be adopted by the new organisation to ensure equity across the whole of the North Yorkshire Council area.
- 2.2 The Government's Levelling Up and Regeneration Bill was published in May 2022 and includes further discretionary options for the application of Council Tax premiums on empty properties and second homes. Subject to the Bill receiving Royal Assent the proposed changes will come into effect on 1 April 2024. If the Council wishes to adopt any changes arising from the Bill it is required to make a resolution confirming its requirements by no later than 31 March 2023.
- 2.3 This report sets out the proposals recommended for approval in regards to Council Tax discounts and premiums.

3.0 BACKGROUND

- 3.1 A large part of the Council Tax legislation is mandatory on all billing authorities within England. Discounts (such as Single Person Discounts), Disregards and Exemptions are set by statute with no discretion allowed. The Local Government Finance Act 2012 however introduced opportunities for Local Authorities to raise additional revenue from Council Tax, and incentivise the occupation of empty properties, by providing some discretion over the application of discounts and premiums on second homes and empty properties. The changes arising from this legislation came into effect on 1 April 2013.

3.2 The main discretionary areas relate to the following:

- (a) Second homes (premises which are no-one's sole or main residence but are furnished);
- (b) Unoccupied and substantially unfurnished premises;
- (c) Unoccupied and substantially unfurnished premises which require or are undergoing structural repairs; and
- (d) Premiums where premises have been unoccupied and substantially unfurnished for a period exceeding 2 years.

3.3 When determining its policy for premiums and discounts, each billing authority must decide the level of charge (or discount) by the 31 March prior to the financial year in which it wants to introduce the changes. The approach taken in regards to discounts and premiums will affect the new organisation's Council tax setting process and budget therefore Full Council's early approval of the policies is recommended.

3.4 Once determined, the resolution of the Council will need to be published in a local newspaper(s) within 21 days of the decision.

3.5 The existing district councils have adopted broadly similar approaches to the application of Council Tax premiums and discounts, although there are some differences which are highlighted in the table attached at Appendix A of this report. The creation of a single unitary council means that a unified approach to discounts and premiums is required to ensure equality across the whole of the North Yorkshire Council area.

3.6 Since the change in legislation in 2013 North Yorkshire districts have looked to reduce the Council Tax discounts available on empty properties and second homes in order to maximise revenue, but more importantly to incentivise owners to bring empty and underutilised properties back into use. Likewise, all districts have introduced premiums which allow additional charges to be made where premises have been unoccupied for a period of two years or more.

3.7 In the case of second homes, the approach to charging is already identical across each of the North Yorkshire districts, with only Scarborough having a slight variation that applies to a single site (consisting of 28 properties) within the district.

4.0 OPTIONS AND RECOMMENDED PROPOSALS FOR DISCOUNTS AND PREMIUMS

4.1 The potential options available for each class of discretionary discount and premium, and the proposals recommended for approval, are detailed below.

4.2 DISCOUNTS

4.2.1 Class A: Second Homes – No one's sole or main residence/furnished - 28-day planning restriction¹

With the exception of Scarborough, no districts provide a discount for second homes in this class. Scarborough has one site (consisting of 28 properties) which currently receives a 10% discount.

Options for this discount include:

¹ restricted by a planning condition preventing occupancy for a continuous period of at least 28 days

- (a) The application of 0% discount across the whole of the new Council's area; or
- (b) The application of a percentage discount (up to 100%) across the new Council's area.

The recommended policy for this class of property is to apply a 0% discount across the whole of the new Council area. This will generate a small uplift in Council Tax income of £1.5k per annum.

4.2.2 **Class B: Second Homes - No one's sole or main residence /Furnished - No planning restriction²**

All existing districts currently apply a 0% discount to this category of chargeable dwellings.

Options for this discount include:

- (a) The application of 0% discount across the whole of the new Council's area (i.e. no change); or
- (b) The application of a percentage discount (up to 100%) across the new Council's area.

The recommended policy for this class of property is to maintain the 0% discount which is currently applied by each of the districts.

4.2.3 **Class C: Unoccupied / substantially unfurnished**

In the case of Class C discounts, the approach taken across the existing districts is different ranging from 0% discount to 100% discount for a period of 7 days, 28 days, 1 month etc. Two authorities, Harrogate and Selby also provided further discounts up to a period of 6 months.

All districts that maintain some form of discount have reported that the approach can be complex and leads to increased queries and complaints especially in relation to tenanted premises where there is a landlord / tenant dispute. This is particularly relevant where complex rules apply for any subsequent period of discount.

Options for this discount include:

- (a) The application of 0% discount across the whole of the new Council's area; or
- (b) The application of a single percentage discount (up to 100%) across the new Council area for a six month period (the legislative maximum); or
- (c) The application of a combination of discounts as currently applied in Harrogate or Selby.

The recommended policy for this class of property is to adopt a standard 0% discount across the whole of the new Council area. Existing data shows that this approach could generate additional Council Tax income of circa £1.66m per annum across the North Yorkshire area.

² the occupation of which is **not restricted** by a planning condition preventing occupancy for a continuous period of at least 28 days in the relevant year

4.2.4 **Class D: Structural repairs (Unoccupied & substantially unfurnished) - Maximum 12 months**

In the case of Class D discounts the approach taken across the current districts, again, differs, ranging from 0% discount to 20% or even 50% discount for the maximum 12 month period allowed.

Options for this discount include:

- (a) The application of 0% discount across the whole of the Council's area; or
- (b) The application of a single percentage discount (up to 100%) across the new Council's area for a 12 month period (the legislative maximum). It should be noted that there is no ability to have varying discounts during the 12 month period;

The recommended policy for this class of property is to adopt a standard 0% discount across the whole of the new Council area. Current data shows that this approach could generate additional Council Tax income of circa £200k per annum across the North Yorkshire area.

4.3 **PREMIUMS**

4.3.1 Premiums were introduced by Government in 2013 with a view to encouraging homeowners to occupy homes and not leave them vacant in the long term. Initially premiums could only be charged at 50% but legislation has now changed to allow a progressive charge to be made as follows:

- Dwellings left unoccupied and substantially unfurnished for 2 years or more, up to 100%;
- Dwellings left unoccupied and substantially unfurnished for 5 years or more, up to 200%; and
- Dwellings left unoccupied and substantially unfurnished for 10 years or more, up to 300%.

4.3.2 The levels of premiums currently applied by districts is detailed in Appendix A. With the exception of Craven all of the districts apply the maximum premiums permitted under current legislation, with Craven's charge remaining at the originally prescribed 50%.

4.3.3 In the case of Richmondshire, the district has adopted the maximum level of premiums but has determined that premiums *may* not be charged in the following circumstances:

- Where owners are genuinely attempting to sell or let their property which has been vacant for at least 2 years
- Where the owners are experiencing particular legal or technical difficulties (including planning issues) preventing its use
- Where the imposition of the council tax premium would result in severe hardship to someone with a serious illness, disability, or vulnerability; and
- In extreme cases, the council may decide to obtain a solicitor's undertaking that the council tax will be paid from the proceeds of selling the property.

4.3.4 To enable some variation in exceptional circumstances it is proposed that the Council's powers under Section 13A 1 C of the Local Government Finance Act be used to reduce liability in such cases where appropriate.

4.3.4 A number of options for empty property premiums are available for the new Council including:

- (a) To levy the premiums at the maximum level available to the Council;
- (b) To amend the premiums to another level; or
- (c) To end the charging of premiums altogether.

The recommended policy for premiums is to adopt a standard approach of levying the maximum level of premiums permitted under legislation across the whole of the new Council area.

Current data shows that this approach could generate additional Council Tax revenue of circa £145k per annum.

5.0 CHANGES IN PREMIUMS WITH EFFECT FROM 1 APRIL 2024

5.1 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.

5.2 In May 2022 the Government published the Levelling Up and Regeneration 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.

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

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

5.4 The changes outlined in 5.3 will, subject to the bill receiving Royal Assent, become effective from 1 April 2024. The Council will be required to make a resolution confirming its intentions on the application of the premiums no later than 31 March 2023.

5.5 To provide further incentives for owners to bring empty property back in to use it is recommended that the Council adopts a policy to implement a 100% premium for empty premises that have been left unoccupied and substantially unfurnished for 1 year or more, with effect from 1st April 2024 (subject to the required legislation being in place).

SECOND HOMES PREMIUM

5.6 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.

5.7 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

* does not provide an allowance for non-collection

5.7 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.

5.8 A number of concerns have been raised in regards to whether the application of a second homes premium might encourage “avoidance”, for instance by owners 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 within this report. Legislation to apply a 100% premium on second homes was introduced in Wales in 2017/18 and the premium was paid on more than 23,000 properties in the 21/22 year, therefore regardless of the above issues there should still be a financial benefit to the new authority should the premium be applied.

5.9 On the basis of the above it is recommended that the Council adopts a policy to implement a 100% premium in respect of second homes with effect from 1st April 2024 (subject to the required legislation being in place).

6.0 FINANCIAL IMPLICATIONS

6.1 It is estimated that the discounts and premium proposals set out within sections 4.2 and 4.3 of this report will generate additional Council Tax revenue of circa £2m per annum from the 2023/24 year onwards.

6.2 A separate key policy decision, which will affect the new organisation’s levels of Council Tax income, is the Council Tax Reduction (CTR) scheme. Officers are currently developing CTR scheme options and it is envisaged that draft proposals will be presented to the Executive in July 2022.

6.3 The current aspiration is to develop a unified CTR scheme which covers the whole of the North Yorkshire area and provides applicants with up to 100 per cent support towards their Council Tax liabilities. This is an improvement against the schemes currently offered by some districts therefore is likely to be more costly for the new Council, but will provide additional financial support for those most in need.

6.4 Members are recommended to approve that the additional revenue generated from the change to Council Tax discounts and premiums for the 2023/24 year be ring-fenced to support the additional costs that will likely arise from the CTR scheme proposals.

6.5 The recommendations set out within section 5 of the report are subject to the Levelling Up and Regeneration Bill receiving Royal Assent and, subject to being approved, will come into effect for the 2024/25 financial year. Any income derived from the additional premiums will be factored into the new organisation's 2024/25 budget setting process.

7.0 CONCLUSION AND REASONS FOR RECOMMENDATIONS

7.1 The recommendations proposed for the 2023/24 year will generate an estimated £2m in additional Council Tax revenue. The existing districts are already applying a number of the proposed policies, albeit not consistently across the entire North Yorkshire area.

7.2 The key rationale for the recommendations proposed for the 2023/24 year is to:

- (a) implement a consistent policy approach for discounts and premiums across the whole of the North Yorkshire area;
- (b) incentivise the occupation of empty properties;
- (c) utilise additional revenue generated from the proposed changes to discounts and premiums to enhance the budget available for the new organisation's Council Tax Reduction scheme.

7.3 The additional premiums recommended for the 2024/25 year will further incentivise the occupation of empty properties as well as generate additional income for precepting bodies; facilitating the delivery of essential front line services.

6.0 LEGAL IMPLICATIONS

6.1 Implementation of the recommendations will satisfy the Council's obligations under Section 11A & 11B of the Local Government Finance Act 1992.

7.0 CLIMATE CHANGE IMPLICATIONS

7.1 None

8.0 EQUALITIES IMPLICATIONS

8.1 None, all taxpayers where their dwellings meet the requirements of the legislation, will be treated equally across the whole of the North Yorkshire area

9.0 RECOMMENDATIONS

9.1 The Executive are asked to consider the contents of this report and recommend that Full Council approve:

- i. the following policies for the North Yorkshire Council's Council Tax discounts from 1 April 2023:
 - 0% Council Tax discount on Class A second homes;
 - 0% Council Tax discount on Class B second homes;
 - 0% Council Tax discount on Class C properties which are unoccupied and substantially unfurnished;
 - 0% Council Tax discount on Class D properties which are undergoing major repair or structural alteration;

- ii. the following policies for the North Yorkshire Council's Council Tax premiums from 1 April 2023:
 - 100% Council Tax premium for properties which have been empty and unfurnished for more than 2 years;
 - 200% Council Tax premium for properties which have been empty and unfurnished for more than 5 years;
 - 300% Council Tax premium for properties which have been empty and unfurnished for more than 10 years;
 - To enable some variation in exceptional circumstances it is proposed that the Council's powers under Section 13A of the Local Government Finance Act be used to reduce liability in such cases where appropriate.
- iii. that the additional revenue generated from the changes to premiums and discounts in 2023/24 be ring-fenced to support the Council Tax Reduction scheme;
- iv. 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 more than 12 months;
 - 100% premium for second homes

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EXISTING DISCOUNT AND PREMIUM POLICIES

	Craven	Hambleton	Harrogate	Richmondshire	Ryedale	Scarborough	Selby
Second Homes Not sole or main residence/Furnished 28-day planning restriction³ (Class A)	0% discount	0% discount	0% discount	0% discount	0% discount	10% discount	0% discount
Second Homes Not sole or main residence /Furnished No planning restriction⁴ (Class B)	0% discount	0% discount	0% discount	0% discount	0% discount	0% discount	0% discount
Class C Unoccupied / substantially unfurnished	100% for 1 month; 0% discount thereafter; <i>('New' can have further discount after 6 weeks occupation 'Repeats' need to occupy for 6 months</i>	0% discount	100% for 7 days; 40% for the remainder of the 6-month period; 0% discount after 6 months;	0% discount	28 days 100% discount; 0% discount thereafter	28 days 100% discount; 0% discount thereafter	100% discount for 1 month; 20% discount for 5 months; 0% discount thereafter
Class D structural repairs (Unoccupied & substantially unfurnished) Maximum 12 months	0% discount	50% discount for 12 months	50% discount for 12 months	0% discount	0% discount	0% discount	20% discount for 12 months
Premium Empty 2yr	50%	100%	100%	100%	100%	100%	100%
Premium Empty 5yr	50%	200%	200%	200%	200%	200%	200%
Premium Empty 10yr	50%	300%	300%	300%	300%	300%	300%

³ restricted by a planning condition preventing occupancy for a continuous period of at least 28 days

⁴ the occupation of which is **not restricted** by a planning condition preventing occupancy for a continuous period of at least 28 days in the relevant year