

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.

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