

Report To:	CABINET
Date:	24 JANUARY 2023
Heading:	COUNCIL TAX DISCOUNTS AND PREMIUMS
Executive Lead Member:	CLLR D MARTIN, DEPUTY LEADER AND EXECUTIVE LEAD MEMBER FOR FINANCE, REVENUES AND BENEFITS
Ward/s:	ALL
Key Decision:	YES
Subject to Call-In:	YES

Purpose of Report

Councils have had local powers to vary council tax discount amounts for empty properties since April 2013. It is good practice to review these to ensure they remain fit for purpose, are easy for customers to understand, raise the required level of council tax income for the Council and are straightforward to administer for the Revenues Section.

The purpose of the report is to review and determine the level of Council Tax discounts to be applied for empty properties by the Council with effect from 1 April 2023. Also, to review the new proposed increases to Council Tax Premiums from April 2024.

To review and agree the Council Tax Support (CTS) Scheme for the new financial year.

Recommendation(s)

Cabinet recommends to Council:

1. Empty discounts –

- a) The current empty discount for Class C - Unoccupied/substantially unfurnished which is allowable for a maximum of 6 months remains at 100% discount for 1 month followed by 25% discount for 5 months.
- b) The current Class A - Second Homes, No one's sole or main residence/furnished – 28 days planning restriction¹ remains at the current 0% discount.
- c) The current Class B – Second Homes, No one's sole or main residence/furnished – No planning restriction² remains at the current 0% discount.
- d) The Class D Structural repairs (Unoccupied & substantially unfurnished) which is allowable for 12 months should be a 0% discount for the whole period.

2. Empty premiums -

- a) The Council continues to apply the maximum premiums allowable in legislation for Long Term empty properties as it currently does.
- b) The Council adopts a policy to implement the new 100% premium for empty premises that have been left unoccupied and substantially unfurnished for 1 year or more, with effect from 1 April 2024 (subject to the required legislation being in place). The Council adopts a policy to implement a 100% premium in respect of second homes with effect from 1 April 2024 (subject to the required legislation being in place).

3. Council Tax Support Scheme -

- a) The Council in accordance with Schedule 1A Section 13A of the Local Government Finance Act 1992 (Council Tax Reduction Schemes) approves an unchanged scheme for Council Tax Support for 2023/24.

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

¹ 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

Reasons for Recommendation(s)

The retention of the same levels of Council Tax discount, for empty properties and second homes will continue to deliver additional Council Tax income for the Council without disadvantaging any vulnerable members of the community.

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

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

The council tax premiums for empty properties will continue to incentivise the occupation of empty property, allowing more homes to be available for occupation. The additional premiums recommended for the 2024/25 year will further incentivise the occupation of empty properties and it may generate additional income for the District and precepting bodies, which facilitates the delivery of essential front-line services.

The Council's proposed Council Tax Support Scheme being unchanged will mean that the level of Council Tax Support provided to the District's working age claimants will effectively mirror that previously provided under the national Council Tax Benefit scheme and continue to support those with the lowest incomes and our most vulnerable customers. This is particularly important to maintain during the Cost-of-Living Crisis.

Alternative Options Considered

If the new powers are not applied the Council Tax premiums from April 2024 would remain at the current rates, the reuse of empty properties would not be incentivised and the potential additional council tax income would be foregone.

Detailed Information

1. Empty Council Tax discounts

The Local Government Finance Act 2012 which came into effect in April 2013 removed several Council Tax empty property exemptions and replaced them with locally determined discounts. The Act also enabled local authorities to remove the minimum 10% discount for second homes and to set a local Long Term Empty Property Premium.

The current levels work well for customers, as they allow a 1-month initial cushion from a charge when the property first becomes empty and unfurnished and a further 25% discount for 5 months for the Class C. This is usually sufficient to allow most customers renting and purchasing properties to move in and pay the occupied rate for their council tax. The Class A and Class B Second Homes have a 0% discount on their charge, and this will also continue.

The Class D Structural repairs discount is allowable for 12 months, it is also recommended this is set at 0% discount, as properties that are newly empty and unfurnished would already benefit from the Class C discounts for the first 6 months. This change has a minimal effect, as no discounts of this type were awarded in the 2021/22 financial year and in the 2022/23 year so far only three properties have been granted this discount.

2. Council Tax empty premiums

Since the change in legislation the Council has introduced premiums which allow additional charges to be made where premises have been unoccupied for a period of two years or more. These are currently at the maximum allowable rates of 100% premium if empty over 2 years, 200% premium if empty over 5 years and 300% premium if empty over 10 years. These premiums incentivise owners to bring empty and underutilised properties back into use.

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. This 'in principle' agreement will allow the Council to implement the premiums if and when Royal Assent is granted.

Through the Bill it is the Government's intention to reduce the minimum period for the implementation of a premium for empty properties from two years to one year; and allow Councils to introduce a premium of up to 100% in respect of second homes (Class A and Class B properties).

Empty homes are a very fluid position. Current data shows approximately 270 properties have been empty between more than one year but less than two years in the District. To provide further incentives for owners to bring empty property back into 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). It cannot be assumed that a change in timescales for empty home premiums will result in additional income as the policy is to encourage homes being brought back into use more quickly.

Second home ownership can have a negative impact on the supply of homes available to meet local housing needs. Approximately 230 homes are classed as 'Second homes' in the Council area in December 2022, for example purposes based on the current £190.46 Band D equivalent charge this would be an estimated £43,000 in additional income from council tax for the District Council alone. Further additional income from the premium would be split across the other preceptors in the usual way. This estimate does not include any allowance for non-collection.

Even though the Council currently asks people to declare if their property is being used as a second home, given that the Council Tax charge for second homes mirrors that of main residences, there may also be a risk that the current classification of properties within the Council Tax system is not wholly accurate meaning that the application of a second homes premium may prompt owners to reclassify properties for genuine reasons. There are also concerns in regard to whether the application of a second homes premium might encourage "avoidance", for instance by owners transferring the property to business rates, this will reduce the potential revenue that might be derived from the premium and the figure quoted above. Thorough checking and verification of changes to property classifications will be undertaken to ensure accuracy of the council tax database and ensure 'avoidance' is not taking place.

Throughout the 2023/24 financial year the Revenues and Benefits Section will contact those who will be affected by these changes to advise them of the change and the suggested options they can take, for example sell the property, rent it out etc.

If the Council then does not wish to proceed with the changes from April 2024 a further report will be brought to agree this by resolution before March 2024.

3. Council Tax Support

The Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a new locally determined Council Tax Support Scheme. This is effectively now a Council Tax discount. Each local authority is required to annually set a local Council Tax Support scheme for working age claimants. The Government continues to operate a statutory national scheme for pensioners, which provides them with broadly the same level of Council Tax Support as they received under the previous Council Tax Benefit scheme but has been adjusted by the Government since its introduction to incorporate several welfare reform initiatives.

The Local Council Tax Support Scheme was initially funded through a specific central government grant set at 90% of each local authority's Council Tax Benefit expenditure. The Government funding since 2014/15 has been rolled into the Government's overall funding settlement and due to the overall cuts in funding for local government effectively increases the initial 10% funding reduction. Since 2013/14, Ashfield District Council has had a Council Tax Support Scheme which broadly mirrors the previous Council Tax Benefit Scheme, and the District Council has absorbed the Government's 10% funding cut and did not pass the cut on to the District's working age claimants. Technically this means that the original Council Tax Reduction Schemes (Default Scheme) Regulations are mirrored within the District's local scheme, with the addition that rates used to calculate the discount are updated each year, and War Disabled Pensions, War Widow, Pensions and Armed Forces Compensation scheme payments are disregarded in full when calculating a claimant's income.

Several changes could be considered, the main drivers for these would be to simplify the scheme for customers and for easier administration reasons, these could include a banded income scheme. Any changes would also require a consultation with customers and major preceptors. Also, if any changes were made to the current scheme, it may adversely impact residents and there needs to be continued support for residents at the current level given the current economic pressures and cost of living concerns. Therefore, the proposal is that the Cabinet recommend that the Council approves the same Council Tax Support Scheme for 2023/24 which has operated successfully since 2013/14.

Implications

Corporate Plan:

To provide value for money and support to our most vulnerable residents.

Legal:

The detail of the relevant legislation is contained in the report. [RLD 19/12/2022]

Finance: [PH 22/12/2022].

Budget Area	Implication
General Fund – Revenue Budget	No assessment can be made of the potential income the increased premiums from April 2024 may generate as the numbers affected vary and the policy is being recommended to reduce the empty property numbers.
General Fund – Capital Programme	N/A
Housing Revenue Account – Revenue Budget	N/A
Housing Revenue Account – Capital Programme	N/A

Risk:

Risk	Mitigation
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There may be challenges to any decision to apply any new premiums.

Any challenge would be considered on the individual detail. If still dissatisfied the taxpayer has the right to appeal to the Valuation Tribunal Service.

Human Resources:

No HR implications identified.

Environmental/Sustainability:

No issues identified for this report.

Equalities:

It is considered there are no adverse equality/diversity implications contained in the proposals.

Other Implications:

Not applicable.

Reason(s) for Urgency

Not applicable.

Reason(s) for Exemption

Not applicable.

Background Papers

Not applicable.

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