

Date of meeting: 27 March 2023

Title of Report: **Council Tax Discounts and Premiums**

Lead Member: Councillor Mark Shayer (Deputy Leader)

Lead Strategic Director: Andy Ralphs (Strategic Director of Customer and Corporate Services)

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Your Reference: Finance/

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

This report seeks agreement from Council that it agrees to implement changes to the levying of council tax premiums from 1 April 2024. The Levelling Up and Regeneration Bill, which is currently making its way through Parliament, proposes several changes to Local Authorities powers concerning council tax and second homes and long-term empty dwellings.

Any decision must be taken by Full Council as a Billing Authority. The Levelling Up and Regeneration Bill will require one year's notice to be given and, subject to the Act coming into law on or before the 1 April 2023, the premiums would be effective from 1 April 2024. Due to the likely timescale, it is imperative that a decision is taken by Full Council by 31 March 2023.

Recommendations and Reasons

Council approve:

1. Subject to the Levelling Up and Regeneration Bill receiving Royal Assent, from 1 April 2024 the current 100% premium for dwellings which are unoccupied and substantially unfurnished will be levied after a period of one year.
2. Subject to the Levelling Up and Regeneration Bill receiving Royal Assent from 1 April 2024 a premium of 100% will be levied on all dwellings which are unoccupied and substantially furnished (second homes).

Reasons:

The provisions within the Bill are primarily aimed at allowing councils to raise additional revenue and to acknowledge the impact that second and empty homes can have on some communities,

with a view that especially in the case of empty properties this would incentivise property owners to bring those properties back into use at the earliest opportunity.

The government has confirmed that billing authorities wishing 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. For April 2024 this requires a decision by the 1 April 2023.

These recommendations will encourage taxpayers to live in their main residence or ensure their property is fully occupied. In addition this will generate funding to the support the delivery of local services.

Alternative options considered and rejected

No change is made to the premiums. Given the amendment made to the approved Budget for 2023/24 at the Council meeting of the 27 February 2023 there is already a clear view of Council that this should be brought forward and implemented, as such the Budget as approved relies upon income from the amendments proposed in this paper. In addition no change would give less of an incentive for property owners to ensure their property is fully occupied.

Relevance to the Corporate Plan and/or the Plymouth Plan

Effective financial management is fundamental to the delivery of corporate improvement priorities and is supported by maximising the total resources available to the council.

Implications for the Medium Term Financial Plan and Resource Implications:

Charging council tax premiums will result in additional council tax income being generated which will support the delivery of local services.

The levying of council tax premiums also increases the taxbase

It is estimated levying of a 100% premium on second homes could generate further council tax income of £1.0m.

Financial Risks

There is a risk that the legislation may be delayed, making it more challenging to build assumptions into the medium-term financial strategy.

Carbon Footprint (Environmental) Implications:

No direct implications.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

None directly

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

Sign off:

Fin	DJN. 22.23. 417	Leg	EJ/1194 /13.3.23 (1)	Mon Off		HR		Assets		Strat Proc	
Originating Senior Leadership Team member: Andy Ralphs (Strategic Director for Customer and Corporate Services)											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 28/02/2023											
Cabinet Member approval: Cabinet approved Date approved: 09/03/2023											

I. Summary

- I.1 Changes contained in the Levelling Up and Regeneration Bill are currently making its way through Parliament. The changes impacting on council tax relate to second homes and long term empty dwellings.
- I.2 The Bill proposes to allow billing authorities to reduce the period before which a premium can be charged for empty homes and introduces the ability to charge a premium for properties which are furnished but not occupied as a primary residence. :
- I.3 The decision to implement the new measures must be taken by Full Council as a Billing Authority. The Levelling Up and Regeneration Bill as currently drafted required the Local Authority to give one year's notice to be given of the adoption of the measures. To take effect from the 1 April 2024 therefore Council needs to have approved the adoption by the 1 April 2023, assuming that the Bill receives Royal Assent before the 1 April 2023.
- I.4 The Levelling Up and Regeneration Bill generally has been brought forward with the intention to address geographical disparities between different parts of the UK. The specific provisions which are subject to this paper are primarily aimed at allowing councils to raise additional revenue and to acknowledge the impact that second and empty homes can have on some communities, with a view that especially in the case of empty properties this would incentivise property owners to bring those properties back into use at the earliest opportunity.

2 Council Tax Premiums

- 2.1 The first relevant change proposed in the Bill is reducing the period before which a premium can be charged for empty homes.
- 2.2 Council Tax legislation sets the various discounts and exemptions which local authorities can apply when setting council tax. In addition, the Government has allowed discretion for certain areas, for example premiums for second homes and the status of a residence i.e. unfurnished, requiring or undergoing structural repairs.
- 2.3 Plymouth has used this discretion and changes were set out in the Council Tax Base Setting Report for 2023/24. The report was approved by Council on 30 January 2023:
 - From 1 April 2021 an additional premium has been charged of up to:
 - 100% for any dwelling empty between 2 and 5 years;
 - 200% for any dwelling empty between 5 and 10 years;
 - 300% for any dwelling empty for 10 years or more.
- 2.4 The Council's Housing Delivery Team supports the legislation as this provides a further disincentive for keeping properties empty and:

- Helps to alleviate pressures on the housing waiting list through increased availability of rental properties;
 - Improves the visual appearance of empty properties that may blight neighbourhoods;
 - Addresses problems that may be associated with living next door to an empty home for example damp ingress, vermin, anti-social behaviour and loss of property value.
- 2.5 The Levelling Up and Regeneration Bill will, as currently drafted, close a loophole regarding second homes with the intention of encouraging more empty properties being brought back into use. A council tax premium can be avoided by the dwelling being unoccupied and 'furnished' which means it is classed as a second home for council tax purposes as it is non-one's sole or main residence.
- 2.6 The table below the current discounts and premiums Plymouth has adopted:

Category of Dwelling	Definition	Current discount/premium
Class A – Second Homes	Dwellings which are no one's sole or main residence which are substantially furnished and subject to a 28 day planning restriction.	50% discount
Class B – Second Homes	Dwellings which are no one's sole or main residence and are substantially furnished.	0% discount
Class C	Dwellings which are unoccupied and substantially unfurnished.	100% discount for a period of 1 month.
Class D	Dwellings which are unoccupied and substantially unfurnished and require major repair work to render them habitable.	0% discount
Empty Homes Premium	Dwellings which are unoccupied and substantially unfurnished for more than 2 years and less than 5 years.	100% premium.
Empty Homes Premium	Dwellings which are unoccupied and substantially unfurnished for between 5 years and 10 years.	200% premium.
Empty Homes Premium	Dwellings which are unoccupied and unfurnished for 10 years or more.	300% premium.

Introduction of a council tax premium for second homes

- 2.7 At present an empty homes premium can only be charged in respect of dwellings which are unoccupied and substantially unfurnished. This term is not defined by legislation and instead use must be made of case law. Dwellings which are no one's sole or main residence and furnished are classed as second homes.
- 2.8 The Levelling Up and Regeneration Bill will -allow introduce powers for billing authorities to apply a premium to dwellings which have no resident and are "substantially furnished". The maximum council tax charge in these cases would be a standard 100% plus a further 100% premium, resulting in a total council tax charge of 200%.
- 2.9 Based on the Council Tax Base (October 2022) form, Plymouth has 1,106 second homes.
- 2.10 Initial estimates suggest that applying a 100% premium on second homes could generate further council tax income of £1.0m.

Reducing the minimum period for an empty homes premium

- 2.11 The second key measure in the bill is a proposal to reduce the minimum period for charging a council tax premium for empty properties from two years to one year.
- 2.12 The Bill proposes that from 1 April 2024, that billing authorities can charge an empty homes premium of 100% after one year even. It should also be noted that the intention is not that it takes effect to properties becoming empty from the 1 April but the 12-month period will include where a property where it became empty before this date.
- 2.13 Potential income related to this proposal is difficult to estimate as the eligibility of a dwelling for this premium changes over time. There were 1,342 empty homes of 2 years or less as at October 2022. If 10% were empty for more than 1 year but less than 2, the additional council tax income would be £0.224m.