

Report of	Meeting	Date
Director of Customer and Digital (Introduced by Cabinet Member (Customer Services and Digital))	Council	Wednesday, 28 February 2024

**POLICY REVIEW:
COUNCIL TAX LOCAL DISCOUNTS AND PREMIUMS POLICY**

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

1. To set out options for changes to amounts of local discounts and premiums in a revised Council Tax Local Discounts and Premiums Policy.

Recommendations to Council

2. The following amounts of council tax local discounts on empty and substantially unfurnished properties are approved from 1 April 2024:
 - a. 100% discount for up to 3 months
 - b. 50% discount for 3-6 months
 - c. 0% discount for 6-24 months
3. The period after which a long-term empty premium applies is amended from 2 years to 1 year from 1 April 2025.
4. A council tax premium of 100% on second homes is approved from 1 April 2025.
5. The Government's proposed exceptions when empty homes and second homes council tax premiums should not be applied are mirrored in the revised Local Discounts and Premiums Policy.

Reasons for recommendations

6. These proposed changes to the Council Tax Local Discounts and Premiums Policy will incentivise owners of long-term empty homes to bring their properties back into use. This will reduce the number of long-term empty properties and make better use of the existing housing in the borough.

Other options considered and rejected

7. To make no changes to the Council Tax Local Discounts and Premiums Policy. This option has been rejected because the council would not be using all available measures to incentivise owners of long-term empty properties and second homes to bring their properties back into use.

Corporate priorities

8. The report relates to the following corporate priorities:

An exemplary council	Healthy and happy communities
Opportunities for everyone	Green and clean neighbourhood

Background to report

9. The Local Government Finance Act 2012 made provision for local authorities to have greater discretion over the level of council tax discounts for empty properties and second homes and the duration for which they may be awarded.
10. Alongside local discounts and premiums statutory exemptions are also awarded in certain circumstances when a property is empty. These include if an owner or occupier of a property has passed away or the property was the sole or main residence of a person who has moved to a care home, hostel, or hospital.
11. From April 2019, the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 has allowed local authorities to charge higher council tax premiums on homes that have been empty and unfurnished for more than 2 years.
12. Councils may also award an exception to a long-term empty premium in certain circumstances.
13. A policy review is underway for the Shared Services Customer Services and Revenues and Benefits services. This is an opportunity to review the Council Tax Local Discounts and Premiums Policy.
14. South Ribble's policy was last reviewed in April 2020. This policy is available here:
15. <https://southribble.moderngov.co.uk/documents/s11511/Appendix%20A%20-%20Council%20Tax%20Local%20Empty%20Homes%20Discounts%20and%20Exemptions%20Policy.pdf>The Levelling Up and Regeneration Bill 2023 introduced new local discretionary powers to allow council tax premiums to be charged on second homes and the amendment of the definition of long-term empty homes which influences when a premium may be applied.
16. An objective of the Council Tax Local Discounts and Premiums Policy is to maximise the incentive for owners of long-term empty homes to bring their properties back into use. It supports work being undertaken by the council to reduce the number of long-term empty properties and make better use of the existing housing in the borough.

Current position

17. The position under the current local policy is summarised in the table below. These discounts are a reduction on a 100% council tax charge and the premiums are an additional charge on top of the 100% council tax charge:

	Category of empty property	Amount of discount or premium
a.	Empty and substantially unfurnished properties	100% discount (0-6 months) then 0% discount (6-24 months)
b.	Uninhabitable properties	100% discount (up to 12 months)
c.	Empty and substantially unfurnished properties	100% premium (2-5 years) 200% premium (5-10 years) 300% premium (10 years+)
d.	Second homes	0% discount

Discretionary legislation changes

18. The Levelling Up and Regeneration Bill received Royal Assent on 26 October 2023. This Bill includes discretionary powers to allow a new discretionary council tax premium on second homes of up to 100%. Second homes in South Ribble currently attract a 100% charge.
19. For the council to be able to utilise the new powers on second homes from the financial year commencing 1 April 2025 a Full Council decision must be approved before 1 April 2024.
20. The Bill also includes discretionary powers to amend the definition of long-term empty homes to dwellings unoccupied and substantially unfurnished for a continuous period of at least one year. Currently a council tax premium may only be charged after 2 years.
21. Consultation with local authorities has been undertaken by the Government on proposed circumstances when empty homes and second homes premiums should not be applied. These include:
- empty homes undergoing probate (time limited to up to 12 months)
 - empty homes being actively marketed for sale or let (time limited up to 6 months)
 - empty homes undergoing major repairs (time limited up to 6 months)
 - second homes such as boat moorings and job-related homes
 - annexes which are second homes and form part of, or being treated as part of, the main dwelling
 - properties subject to legal, technical, or complex planning issues
 - seasonal homes where year-round or permanent occupation is prohibited or has been specified for use as holiday accommodation or prevents occupancy as a person's sole or main residence
22. Although this consultation closed on 31 August 2023 the outcome has not been published and regulations have not yet been prescribed to include any statutory exceptions.

23. It is recommended that the Government's proposed exceptions when empty homes and second homes premiums should not be applied are mirrored in the revised Local Discounts and Premiums Policy.

Second homes

24. The Levelling Up and Regeneration Bill provides power to billing authorities to charge a discretionary council tax premium of up to 100% for a dwelling that is substantially furnished and has no resident.
25. Billing authorities will determine whether a property is a second home rather than a sole or main residence.
26. It will also be for local authorities to reflect on the circumstances of their area in deciding whether to apply either premium or, if so, what level of premium that they consider to be appropriate.
27. Currently South Ribble charges 100% council tax (no discount or premium) for properties which are second homes.
28. The table below shows the number of second homes by band on 1 October 2023 and the possible revenue generated from a 100% premium:

Band	Number of properties	Total revenue from 100% second home premium *
A	15	£21,317
B	12	£19,896
C	10	£18,948
D	5	£10,658
E	3	£7,816
F	3	£9,237
G	2	£7,106
H	0	£0
Total	50	£94,978

*Based on non-parish council tax charges

29. If a 100% premium on second homes was approved, after distribution to the Precepting Authorities, the potential additional revenue South Ribble is forecasted to be £9,498.

Long term empty properties:

30. The Levelling Up and Regeneration Bill also allows councils to charge a council tax premium where properties have been empty and unfurnished for more than a year (currently two years).
31. No changes are proposed to the percentage of long-term empty premiums which are charged after 24 months. These are already the maximum which can be charged under the legislation and are consistent with 9 other Lancashire authorities.

32. Following the introduction in April 2013 of council tax premiums for long term empty properties the number of long-term empty homes has reduced by more than 25%:

	April 2013	October 2023
South Ribble	147*	110

*Premiums only introduced in 2014/15

33. The current policy incentivises bringing long-term empty properties back into use.

34. On 1 October 2023, around 250 properties, mainly in council tax bands A to D, may be affected by the option to charge a premium after 12 months.

35. Due to the nature of the housing market, there is always some movement in the number of empty homes. Although, this gives an indication of the number of additional properties which would be impacted by this change because of the uncertainty they are not included in the financial modelling.

36. The proposed changes to charge a premium after one year may provide further incentive supporting the high demand for housing in the borough. However, due to other proposed changes to the level of discount for empty and substantially unfurnished awarded properties (3-24 months) it is recommended charging a premium after 12 months is suspended until 1 April 2025.

37. This will allow time for the changes to discounts for empty properties to embed and the impact to be monitored before any further changes are implemented.

Consultation

38. There is no statutory requirement to consult on these proposed policy changes. However, public consultation was undertaken on the council's websites for a period of 4 weeks during November and December 2023:

39. The following groups were also invited directly to take part in the consultation:

- a. Council tax payers affected by the proposed changes
- b. A sample of other council tax payers
- c. Lancashire County Council
- d. Lancashire Constabulary
- e. Lancashire Fire and Rescue Service
- f. Citizens Advice Bureau
- g. Council Members
- h. Parish councils
- i. Money Advice Trust

40. Responses to consultation survey questions were submitted by:

Consultee	Number of responses
Property owners affected by these proposals	37
Residents	40
Councillors	1
Parish councillors	0
Precepting authorities	1
Advice or support agencies	1

Council employees	2
Other	2
Total	82

41. Supportive comments about the proposed changes were also received on behalf of 1 precepting authority.

42. It should be noted that the number of consultation responses submitted is disproportionate to the number of residents liable to pay council tax. With around 52,000 households liable to pay council tax the views of less than 1% of council tax payers are represented.

43. A full extract of the consultation responses is shown at Appendix 1:

Options

44. The table below outlines the amounts of local discount and premiums in the current policy, options for policy changes that were consulted upon, and the recommended proposed policy changes:

	Current Policy	Consultation Options	Proposed Policy
a.	100% discount 0-6 months	100% discount 0-3 months	100% discount 0-3 months
b.		0% discount 3-24 months	50% discount 3-6 months
c.	0% discount 6-24 months		0% discount 6-24 months
d.	N/A New legislation	100% premium on second homes from 1 April 2025	100% premium on second homes from 1 April 2025
e.	N/A New legislation	Amend the period after which a long-term empty period applies, and a premium is charged, from 2 years to 1 year from 1 April 2024	Amend the period after which a long-term empty period applies, and a premium is charged, from 2 years to 1 year from 1 April 2025

Financial implications

45. Council tax revenue is distributed to the Precepting Authorities as shown below:

Lancashire County Council	Police and Crime Commissioner for Lancashire	South Ribble Borough Council	Lancashire Fire and Rescue Service
74%	12%	10%	4%

46. Financial modelling shows there is a revenue shortfall from the current scheme and that proposed changes lead to a net revenue surplus across precepting authorities as follows:

Current scheme (all preceptors)	£308,098
10% local authority	£30,810

Proposed scheme (all preceptors)	£31,761
10% local authority	£3,176

Benefits

47. The proposed options for changes to amounts of local discount and premiums will:

- a. Further incentivise the bringing back into use of long-term empty properties to reduce the number of long-term empty properties and make better use of the existing housing in the borough
- b. Help to balance the needs of property owners with the interests of wider council taxpayers

Climate change and air quality

48. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

49. An Impact Assessment has been completed and is included at Appendix 2.

Risk

50. A reduction in the amount of discount awarded or an increase in the amount of council tax payable due to a premium is likely to be unpopular with affected council tax payers.

Comments of the Statutory Finance Officer

51. The implications of these changes are upon the overall Council Tax Collection Fund figures. As a result, there is no immediate change to the Councils budgets, but they will be reflected in the Council Tax budgets in future years.

Comments of the Monitoring Officer

52. The legislative basis for the application of premiums is referred to in the body of the report.

Background documents

[Levelling-up and Regeneration Act 2023](#)

Appendices

Appendix 1 - Consultation responses

Appendix 2 - Impact Assessment

Report Author:	Email:	Telephone:	Date:
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