

<b>Title of Report</b>	<b>COUNCIL TAX DISCOUNTS AND EXEMPTIONS</b>	
<b>Presented by</b>	Paul Stone Director of Resources	
<b>Background Papers</b>	None.	<b>Public Report:</b> Yes
<b>Financial Implications</b>	The additional income from the proposed changes is expected to raise approximately £70,000 in additional Council Tax for the Council based on statistics as at November 2024.	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	The legislation for charging premiums on empty homes and second homes is derived from the Local Government Finance Act 1992, as amended by the Levelling Up and Regeneration Act 2023.	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	An Equality Impact Assessment (EIA) has been prepared to evaluate the implications of proposed changes to Council Tax discounts and exemptions.	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Reason Agenda Item Submitted to Scrutiny Committee</b>	To provide Corporate Scrutiny Committee with details of proposed changes to Council Discounts and exemptions.	
<b>Recommendations</b>	<b>THAT CORPORATE SCRUTINY COMMITTEE NOTES THE PROPOSALS IN RESPECT OF COUNCIL TAX DISCOUNTS AND PREMIUMS AS SET OUT IN THE REPORT AND PROVIDES COMMENTS FOR CONSIDERATION AT CABINET ON 17 DECEMBER 2024.</b>	

## 1.0 BACKGROUND

- 1.1 Council Tax discounts and exemptions play a vital role in supporting residents and ensuring that local authorities can tailor their policies to meet the unique needs of their communities.
- 1.2 Local authorities have the discretion to establish their own criteria for discounts and exemptions, allowing them to address specific circumstances such as financial

hardship, disability, or the presence of students. This flexibility enables councils to create policies that reflect local priorities and promote fairness in the taxation system.

- 1.3 The Council has conducted a review of its discounts and exemptions and is now proposing changes aimed primarily at addressing the issues related to empty homes and the premium on second homes. These measures will generate additional revenue for the Council. By focusing on empty homes, the Council aims to promote occupancy and alleviate housing shortages. The proposed changes align with other local authorities in the Leicestershire Revenues and Benefits Partnership.
- 1.4 The Empty Homes Premium and Second Homes Premium are additional charges levied on properties that are not the primary residence of the owner. The Empty Homes Premium applies to properties that have been unoccupied and substantially unfurnished for a specific period, while the Second Homes Premium targets properties used as a secondary residence.
- 1.5 In addition to proposals in respect of empty and second homes, there are further proposals in respect of empty, unoccupied and unfurnished discount and major repairs. Further detail in respect of all the proposals is set out in the paragraphs below.
- 1.6 Through these measures, the Council hopes to create a fairer and more sustainable approach to Council Tax that benefits the entire community.

## **2.0 EMPTY HOMES PREMIUM**

- 2.1 The Local Government Finance Act 2012 introduced the power to charge premiums in addition to the standard Council Tax for properties that have been unoccupied (empty) and substantially unfurnished for more than two years.
- 2.2 Since 1 April 2013, billing authorities have been able to charge this premium of up to an extra 50% of the Council Tax on the property. Since the introduction of The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 it has been possible from April 2019 to increase this premium to 100% (i.e., pay double the standard Council Tax charge in total) for non-exempt properties that remain empty longer than two years.
- 2.3 The Act also phased in over the next two years further increases for properties empty for longer than five years (200%) and ten years (300%). This legislation has recently been amended by the Levelling Up and Regeneration Act 2023 which received royal assent in October 2023. In summary the new amendments, reduce the time threshold that the empty homes premium can be applied (from 2 years to 12 months) from 1 April 2024 and additionally introduce the option to charge a new second homes premium from 1st April 2025 (see below).
- 2.4 The Council currently charges a premium of 50% for properties empty between two and five years, and a 200% premium for properties empty for more than five years. The proposal is to charge a 100% premium between one and five years, 200% premium between five and 10 years and a 300% premium for over 10 years. Approximately 700 properties will be affected by the proposed changes.

## **3.0 SECOND HOMES PREMIUM**

- 3.1 In addition to long term empty properties the Levelling Up and Regeneration Act allows billing authorities to introduce a 100% premium for second homes (furnished homes which are not a main residence) A billing authority wishing to use this power must give

12 months' notice before it first uses it. Therefore, the Council is required to decide before 1 April 2025, if it intends to introduce the charge from 1 April 2026.

- 3.2 Second homes can contribute to a shortage of available housing for local residents. When properties are often taken off the market for long-term rentals, exacerbating the housing crisis.
- 3.3 There are currently 165 properties identified on the Council Tax system as second homes.
- 3.4 Currently, the Council does not impose a premium on second homes. However, the proposal is to introduce a 100% premium on these properties. This change aims to encourage owners of second homes to either sell or rent out their properties, thereby increasing the availability of housing for residents.
- 3.5 The primary objective of the proposed long-term empty and second home premiums is to bring unoccupied property back into use. However, where owners choose not to do so, they will be subject to the premium which will result in additional Council Tax revenue. Whilst the report provides numbers of properties that are potentially subject to amended premiums, these have not been included within financial forecasts at this stage. Where changes are introduced actual 'new income' will need to be monitored throughout the forthcoming year in order a robust forecast can be included in future years as part of the more detailed Council Tax setting and collection.

#### **4.0 EMPTY, UNOCCUPIED AND UNFURNISHED DISCOUNT**

- 4.1 Under the Council's current discount scheme, a property that is empty and unfurnished is not be charged Council Tax for one month. The proposal is to remove the discount i.e. the charge becomes payable from day one.
- 4.2 The estimated number of properties that will be affected is 165.

#### **5.0 MAJOR REPAIRS**

- 5.1 If a property is unoccupied and unfurnished in need of, or undergoing, major repair work or structural alteration which is not cosmetic, then it is entitled to a 50% reduction in Council Tax for up to six months - after which the full charge is payable. It is proposed to remove the discount. It is estimated approximately 40 properties will be affected by this change.

#### **6.0 LEGAL CONSIDERATIONS**

- 6.1 Section 11B of the Local Government Finance Act 1992 (the 1992 Act) (as amended by section 79 of the Levelling Up and Regeneration Act 2023) (the 2023 Act) gives the Council as a billing authority the power to charge a discretionary Council Tax premium for properties empty for at least one year up to a maximum level set by law, depending on the length of time the property has been empty.
- 6.2 Section 11C of the 1992 Act inserted by the 2023 Act gives the Council as a billing authority power to charge a discretionary Council Tax premium of up to 100% for properties which are periodically occupied, referred to as second homes.
- 6.3 A second home is defined as a dwelling that is substantially furnished and has no resident (i.e., it is not someone's sole or main residence). Section 11C (3) of the 1992

Act requires that the first decision to impose a premium for second homes must be taken at least 12 months before the financial year to which it would apply. This means that if the Council decides to apply a premium for second homes it cannot not take effect until the 2026/27 financial year at the earliest.

- 6.4 However, it is essential that a decision is made by the Council at the latest before 31 March 2025 to give the required one-year notice. The Council has discretion on whether to apply a premium and at what level to apply the charge below these maximums.
- 6.5 The 1992 Act also provides the framework for Council Tax including provisions for discounts and exemptions.

## **7.0 FINANCIAL IMPLICATIONS**

- 7.1 The implementation of the premiums and discounts outlined above represents an opportunity to raise additional income as well as the incentives to bring homes back into use.
- 7.2 The Council will conduct annual reviews to adjust the number of properties and premium rates as necessary, ensuring that the calculations reflect current data and any changes in property status.

## **8.0 CONSULTATION**

- 8.1 In line with the Council's commitment to transparency and community engagement, a consultation has been conducted regarding proposed changes to Council Tax discounts and exemptions. The consultation was issued to gather feedback from stakeholders.
- 8.2 The consultation began on 28 October and ran for a period of three weeks, concluding on 18 November. Letters were sent to property owners with empty homes and second homes, informing them of the proposed changes and inviting their input. Email survey subscribers were made aware of the consultation which consists of approximately 64,000 subscribers.
- 8.3 In addition to reaching out to affected property owners, precepting authorities and parish councils were also notified of the consultation. This step was taken to ensure that all relevant stakeholders had the opportunity to participate in the discussion and provide their insights.
- 8.4 The primary goal of the consultation is to assess the potential impact of the proposed changes on the community and to gather valuable feedback that will inform the decision-making process. By engaging with residents and local authorities, the Councils aim to create a fair and equitable Council Tax system that reflects the needs of our community.
- 8.5 The feedback collected during the consultation will be crucial in shaping the final proposals for Council Tax discounts and exemptions.
- 8.6 Details of the consultation (Appendix One), together with the responses, are set out in Appendix Two and are summarised below
- 8.7 The survey asked for opinions on four proposals:

- Proposal 1- Second Home owners would pay double Council Tax (a 100% surcharge) from day one
- Proposal 2- Remove six-month 50% CT discount for major repairs and charge full council tax from the point of ownership
- Proposal 3 - Remove one month 100% council tax discount for empty, unoccupied and unfurnished properties and charge full council tax from the point of ownership.
- Proposal 4 – Charge Empty one to five years, twice standard council tax (200%), Empty five-10 years three times the standard council tax (300%), Empty 10 years or more four times the standard council tax (400%).

8.8 2,242 responses were received, and the table below shows the support for each proposal.

Proposal	Promoters	Passives	Detractors
1 - Second Homes	922 41%	244 11%	1063 48%
2 - Major Repairs	661 30%	187 8%	1384 62%
3 - Empty Properties	964 43%	174 8%	1088 49%
4 - Long Term Empty Properties	1300 58%	248 11%	691 31%

8.9 Two responses were also received via email (Appendix Three) and also a response from Leicestershire Fire and Rescue (Appendix Four).

8.10 In addition to the formal consultation, there were two Facebook posts seen by a total of approximately 17,000 users. There were some comments, which were generally against the proposals, however, there was criticism of empty properties in the district.

## 9.0 EQUALITY IMPACT ASSESSMENT

9.1 As the Council considers proposals for changes to Council Tax discounts and exemptions, it is essential to undertake an Equality Impact Assessment (EIA). This assessment will help ensure that its decisions promote fairness and do not disproportionately affect any particular group within the District. The EIA allows the Council to identify and address any potential inequalities that may arise from the proposed changes.

Policies and other considerations, as appropriate	
Council Priorities:	- Planning and regeneration - A well-run council
Policy Considerations:	North West Leicestershire District Council Local Council Tax Support Scheme.
Safeguarding:	Assessing how changes may affect low-income families, the elderly, individuals with disabilities, and other vulnerable groups. Ensuring that these

	populations are not disproportionately burdened by increased costs is crucial. This was addressed in the Equality Impact Assessment.
Equalities/Diversity:	<p>Changes to discounts and exemptions may disproportionately affect vulnerable populations, including low-income families, the elderly, and individuals with disabilities. It is essential to assess how these groups might be impacted by increased financial burdens and to ensure that support mechanisms are in place.</p> <p>Adjustments to Council Tax policies can influence housing availability. For instance, removing discounts on empty homes may encourage property owners to bring their properties back into use, potentially increasing housing stock. However, it is vital to consider how this might affect those who are temporarily unable to occupy their homes due to circumstances like illness or caregiving responsibilities.</p> <p>An Equality Impact Assessment has been completed.</p>
Customer Impact:	There has been engagement with residents during the consultation process which has allowed for feedback.
Economic and Social Impact:	While there are opportunities for increased revenue and improved housing availability, careful consideration must be given to the potential burdens on households and the need for equitable solutions.
Environment, Climate Change and zero carbon:	In summary, changes to Council Tax discounts and premiums can have significant environmental and climate change implications. By promoting sustainable housing practices, reducing carbon emissions, and supporting local climate initiatives, these proposals can contribute positively to both the environment and community resilience.
Consultation/Community Engagement:	Consultation and engagement is set out in section 8.0 of the report.
Risks:	If collecting the higher Council Tax proves challenging, or if property owners employ strategies to evade the premium, the anticipated additional income—after accounting for exemptions—may not be fully achieved.
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