

<b>Report title</b>	<b>Review of Local Council Tax Discounts</b>
<b>Report author</b>	Linda Norman Corporate Head of Customer, Digital & Collection Services
<b>Department</b>	Revenues
<b>Exempt?</b>	No

**Purpose of report:**

- To recommend to full Council

**Synopsis of report:**

The purpose of this report is to review the existing Local Council Tax Discounts currently in place.

To recommend the continuation of existing discounts for:

- Care leavers
- Ukrainian Refugees
- Properties affected by flooding

To recommend amendments to the level of Council Tax Discount for unoccupied and unfurnished dwellings and to consider increasing the premium on properties that are long term empty (unoccupied and unfurnished) for more than one year.

From 1 April 2024, to reduce the Council Tax Discount for unoccupied and unfurnished dwellings from 100% for up to 3 months from 100% for up to 28 days.

From 1 April 2025, to increase the long-term empty charges in line with legislation from 50% to 100%, 200% and 300% depending on length of time the dwelling has been empty. This will support the Council's Housing priority and encourage empty dwellings to be brought back into use more quickly.

In addition, there is also the potential to raise additional Council Tax income of approximately £106k of which £9.5k will be retained by Runnymede BC which will reduce pressure on the Council's Medium Term Financial Strategy (MTFS) although additional costs will be borne by the Housing Revenue Account and the Council's wholly owned company (RBCI).

**Recommendation(s):**

To consider and agree to recommend to full Council the amendments set out below:

That with effect from 1 April 2024:

- To recommend the continuation of existing discounts for:

- **Care leavers**
- **Ukrainian Refugees**
- **Properties affected by flooding**
- **the Council Tax Discount for unoccupied and unfurnished dwellings is reduced from 100% for up to 3 months to 100% for up to 28 days (Class C of the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012)**

**That with effect from 1 April 2025:**

- **In accordance with Section 11B of the Local Government Finance Act 1992 and Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 increase the additional amount payable for Council Tax from 50% to 100% for dwellings that are unoccupied and substantially unfurnished for more than one year**
- **Increase the additional amount of Council Tax from 50% to 200% for properties that are unoccupied and unfurnished for more than five years**
- **Increase the additional amount of Council Tax from 50% to 300% for properties that are unoccupied and unfurnished for more than ten years.**

## **1. Context and background of report**

1.1 Local Authorities were given the powers and flexibility to amend certain Council Tax discounts under the Local Government Finance Act 2012, which were enacted by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 and the Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012.

1.2 The Council has exercised this flexibility under the regulations and has introduced several local discounts over the years:

- 2013/14 Empty and unoccupied properties
- 2015/16 Flood relief discounts
- 2020/21 Care leavers
- 2022/22 Ukrainian refugees

It is worth noting that Runnymede has introduced the last three discounts to support residents in difficulty.

1.3 Section 12 of the Local Government Finance Act 2012 added section 11B to the Local Government Finance Act 1992 enabling Local Authorities to increase the charge on long term empty dwellings (unoccupied and substantially unfurnished for at least 2 years) by up to 50%. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 further amended this regulation to enable local authorities to increase the amount that can be charged on long term empty dwellings up to 100%.

1.4 The Levelling-up and Regeneration Act 2023 received Royal Assent on 26 October 2023 which reduces the period the increased premium on empty homes can be charged from two years to one from 1 April 2024.

- 1.5 However, as Runnymede has not previously implemented any of the percentage increases for properties that have been empty in excess of two years, a two-stage approach is recommended with regards to changing the discounts and premiums on empty homes.
- 1.6 Stage one will focus on short term empty properties with the proposed reduction of the 100% discount from three months to 28 days from 1 April 2024.
- 1.7 Stage two will look to increase the empty homes premiums from 1 April 2025, which will enable owners to bring properties back into use during the 2024/25 financial year before the proposed increases.
- 1.8 The Levelling-Up Act has also introduced a new section (11C) within the Local Government Finance Act 1992 which specifically relates to dwellings that are occupied periodically, namely second homes. This amendment allows authorities to remove any discount for this category and limit the increase to 100%. Although Runnymede does have some properties (182) that are designated as second homes, the Council has not introduced a local discount for these properties and as such, these owners are already charged 100% Council Tax on these properties.
- 1.9 With the Council's current financial position and the need to look for savings, efficiencies and net revenue reductions of £5.2m by the end of 2025/26 financial year, it seems only pertinent to review the Local Council Tax discounts that are wholly funded by the Council Taxpayer.
- 1.10 It is worth noting that properties left empty where the owner/leaseholder has died and probate has not been granted, they will remain exempt and will not be affected by changes to the empty homes' legislation. Once probate has been granted, there is a further six months exemption which is applied from the date of the grant of probate. After this additional six-month period, if the property has still not been sold or re-occupied, only then will it be considered an empty property and be liable for the empty property premium.
- 1.11 Similarly for properties where the owner/leaseholder is living elsewhere to receive or provide care (excluding a care home or hospital), these properties will remain exempt until such time that the property is re-occupied and are not classed as long-term empty properties so will not be liable for the empty property premium.

## **2. Report and, where applicable, options considered and recommended**

- 2.1 Care leavers (i.e. young people who have been in the care system and have now left) moving into independent accommodation have been identified as finding their finances extremely challenging. With little or no family support and in some cases insufficient financial education, care leavers can find themselves falling into debt and financial difficulty. The Children's Society recommends that care leavers should be taken out of the council tax regime until they turn 25 years of age.
- 2.2 The number of care leavers living in Runnymede in the year 2023/24 is 11 at a cost of approximately £14k. In previous years both SCC and Surrey Police have waived their precepts for this discount, and SCC have recently confirmed they will continue to do so until March 2026. The Council have yet to receive the same confirmation from Surrey Police so the maximum potential cost to Runnymede could be £3,220 based on 23/24 levels, which is minimal when comparing the support provided to vulnerable young adults. As such, it is proposed that this local discount remains

unchanged and is again reviewed in December 2025 to ensure SCC continues to waive their element of the precept.

- 2.3 Following the 2014 flooding in Surrey, Runnymede created a local discount to support residents who had to leave their homes, many of which were uninhabitable requiring significant repairs which went beyond the existing three-month empty discount that was currently in place. Many homes had become uninhabitable with residents displaced and facing financial hardship.
- 2.4 This discount supported over 1000 residents and cost almost £620k in Council Tax exemptions, much of which was refunded by the Government.
- 2.5 The discount has not been applied for in recent years but should remain in force to ensure the Council is ready to support residents in a time of emergency with processes already in place that will alleviate financial and human distress.
- 2.6 In April 2022, the Government laid regulations which made the following changes:
  - Amending the Council Tax (Additional Provisions for Discount Disregards) Regulations 1992 so that a person who has secured a visa under the Homes for Ukraine sponsorship scheme is disregarded for council tax discounts. This will protect the sponsor's single person discount and the 50% discount received by any households where all the occupants are already disregarded.
  - Amending the Council Tax (Exempt Dwellings) Order 1992 so that there is no loss of an exemption where a household hosts a person who has secured a visa under the Homes for Ukraine sponsorship scheme.
- 2.7 However, there was no provision to disregard the £350 thank-you payments for residents who were in receipt of Council Tax Support. To facilitate this, the Government revoked the Collection Fund (Council Tax reductions) (England) Directions 2013 and replaced them with directions specifying that where a discount is provided to offset an increase in liability resulting from a Homes for Ukraine thank-you payment or non-dependant deduction no billing authority payment need be made into the collection fund.
- 2.8 Therefore, billing authorities were able to create a local discount to this effect under existing powers to ensure there is no loss of LCTS to a sponsor family. The amount of discount required was equivalent to the reduction of LCTS lost.
- 2.9 The Council is committed to supporting the Government's Home for Ukraine initiative and as this is no financial impact of granting this discount, it should continue to remain in force.
- 2.10 This leaves the local discounts in force for empty and unfurnished properties left to review. Research with other Surrey authorities shows that Runnymede is the only Surrey Authority that continues to grant an exemption for 3 months, most have reduced to either 28 days or 1 month. The table below details the schemes across the county:

<b>Local Authorities</b>	<b>Unoccupied, unfurnished home discount</b>	<b>Period</b>
Elmbridge	0%	0 days
Epsom	100%	1 month
Guildford	100%	7 days
Mole Valley	100%	0 days
Reigate	100%	28 days
Runnymede	100%	3 months
Spelthorne	100%	30 days
Surrey Heath	100%	0 days
Tandridge	100%	0 days
Waverley	50%	1 month
Woking	100%	1 month

Again several Surrey authorities have taken advantage of the change in premium levels as detailed below:

<b>Local Authorities</b>	<b>Long term empty premium 2 years</b>	<b>Long term empty premium 5 years</b>	<b>Long term empty premium 10 years</b>
Elmbridge	100%	200%	300%
Epsom	100%	200%	300%
Guildford	100%	200%	300%
Mole Valley	100%	150%	300%
Reigate	100%	200%	300%
Runnymede	50%	50%	50%
Spelthorne	100%	200%	300%
Surrey Heath	100%	200%	300%
Tandridge	100%	200%	300%
Waverley	100%	200%	300%
Woking	100%	200%	300%

- 2.11 Given the increasing pressures on housing within the Borough, by reducing the period of empty property discount to 28 days, this will provide a greater incentive for owners of empty properties to bring the property back into use in a timely manner, without putting undue pressure on owners if the discount was totally removed. It puts Runnymede in line with most other Surrey Authorities allowing 28 days for owners to re-let properties without accruing liability.

Band	Total Amount of 3 Months Discount (£)	Total Amount of 28 Days Discount (£)	Difference Between 3 Months and 28 Days
A	3,255.86	999.06	2,256.80
B	9,707.27	2,978.67	6,728.60
C	22,670.33	6,956.38	15,713.96
D	32,015.91	9,824.06	22,191.85
E	18,570.44	5,698.33	12,872.11
F	33,704.15	10,342.10	23,362.06
G	27,132.15	8,325.48	18,806.67
H	5,426.43	1,665.09	3,761.33
	<b>152,482.54</b>	<b>46,789.16</b>	<b>105,693.37</b>

- 2.12 It is also worth considering the potential additional Council Tax that could be raised as a result of reviewing the current discounts levels.
- Potential income for changing the unoccupied and unfurnished dwellings discount from 100% for 3 months to 28 days will raise an estimated £106k in additional Council Tax.
  - If the discount was removed completely, this could raise an estimated £153k in additional income.
  - It is worth noting that any changes in empty discounts will apply to all properties and as such, could have an impact on the Housing Revenue Account, the Council's General Fund (where residential units are being held for sale) and the Council's wholly owned subsidiary (RBCI) which manages the letting of residential units in the private rented sector.
- 2.13 As shown in the benchmarking with other Surrey authorities, many have taken advantage of the increased charges on long term empty properties and whilst Runnymede does not have many properties, there is potential to increase Council Tax on these properties which may incentivise the owners to bringing back into use.
- 2.14 **Appendix 1** shows potential options for Empty and Unfurnished locally defined discounts. By increasing the premium within the amounts permissible within the regulations, this has the potential to raise an estimated £722k in additional Council Tax, split between the preceptors. The current number of empty properties paying the existing premium as of October 2023 is 153. This has remained fairly constant over the past two years which suggests owners of long-term empty properties are happy to pay the existing levels rather than proactively return them to the property market.
- 2.15 However, with the introduction of the Levelling-up and Regeneration Act 2023, the definition for long term empty properties has been amended and the time frame has been reduced from two years to one year where the higher amount for long term empty properties can be applied. Should Runnymede choose to implement these new regulations, it gives owners of empty properties very little time to adjust to these changes and bring their properties back into occupation. Therefore, it is proposed that the Council embarks on a communication campaign during 2024/25 to inform

owners of the increase to long term empty properties that will come into force from 1 April 2025.

- 2.16 This will allow owners time to consider their options before facing large increases in Council Tax on their empty properties.

### 3. Policy framework implications

- 3.1 This change in policy will support the Corporate Business plan with regards to Housing and Financial stability.

### 4 Resource implications/Value for Money

- 4.1 The estimated additional Council Tax raised by changing both discount schemes would be £828k as follows;

	£
28-day discount	105,693
Empty homes premium	722,075
<b>Total</b>	<b>827,768</b>

and would be shared approximately as follows:

	£
Surrey County Council	637,381
Surrey Police	115,888
Runnymede BC	74,499

- 4.2 In previous years, Surrey CC have reallocated its share of the additional Council Tax funding that directly results from changes in Empty Homes policies. However, as Runnymede are not considering implementing these changes until 1 April 2025, the Council must currently presume that Surrey will retain this proportion of additional monies.

- 4.3 Whilst both the additional income and homes returning to use in a timelier manner would be welcome, implementing this scheme would have additional consequences for the Council.

- 4.4 Currently the HRA are liable for Council Tax on empty properties. As of September 2023:

- 0-3 months                    28 properties
- 3-12 months                 21 properties
- Over 12 months            16 properties

- 4.5 As at September 2023, the HRA has 16 properties that would be affected by the changes to the long-term premium. Should these changes be implemented, the potential annual cost to the Council could be in the region of an extra £31k Council Tax liability.

- 4.6 28 properties would be affected by the reduction in discount from 3 months to 28 days in the region of £9k. Therefore, the overall potential cost to the HRA based on current costs, including their existing liability of £21k would be £30k for 24/25 year and £61k for 25/26 year.

4.7 In addition to the HRA, there are a further 27 properties owned by the Council's commercial company which could be affected by these changes as they have been empty for over 2 years and the potential cost could be in the region of an extra £104k. By introducing these changes from 1 April 2025, it also provides a slightly longer period for RBCI to progress the sale of Witley House

- 0-3 months 0 properties
- 3-12 months 15 properties
- Over 12 months 27 properties

4.8 Changes to the policy will automatically be administered by the NEC Revenues system with minimal training and testing. However, there will be an annual charge for the licence, support and maintenance of this additional module of approximately £1000 pa which would increase revenue expenditure on the NEC system. However, it should be noted that the NEC empty homes module is designed in line with the existing regulations and therefore, any deviation from the regulations will not be permitted within the software and the Council will be unable to automatically administer the scheme. <sup>(Obj)</sup>

## 5. Legal implications

5.1 There is no legal requirement to consult on the recommended changes but there is a legal requirement to publish any changes to the Council Tax regime in at least one newspaper circulating in the Billing Authority's area. This must be done within 21 days of the resolution being agreed by full Council.

As the Council does not have a local discount relating to second homes, Section 11C is not relevant.

Making changes to the existing level of discounts means that, as the Billing Authority, the Council will incur the additional costs associated with implementing and administering the changes, although this is not expected to be significant.

5.2 The Children and Social Work Act 2017 places corporate parenting responsibilities on borough and district councils for the first time, requiring them to have regard to children in care and care leavers when carrying out their functions.

## 6. Equality implications

6.1 Councillors need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty, as set out in Section 149 of the Equality Act 2010, as part of the decision-making process. The three aims the authority must have due regard for are:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic

6.2 The Council must pay due regard to any obvious risk of such discrimination arising from the decision before them. There is no prescribed manner in how the equality duty must be exercised though producing an EIA is the most usual method



The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including ethnic or national origins, colour or nationality), religion or belief, sex or sexual orientation

- 6.3 However, any amendments made to Council Tax discounts for empty or long term empty dwellings are not based on individual circumstances or family characteristics but on whether the property is empty and for how long. Therefore, the recommendations will apply equally to everyone.

## **7. Environmental/Sustainability/Biodiversity implications**

- 7.1 There are no implications on Environmental, Sustainability or Biodiversity implications but by encouraging owners of empty properties to bring back into occupation in a timely manner may have a positive impact on communities where properties are not left unkempt or rundown which may impact on environmental issues.

## **8. Risk implications**

- 8.1 There is also a risk to the collection of debts resulting from any changes. The recommended levels are based on the considered implications on collection whilst, at the same time, maximising the potential income opportunity for the Council.
- 8.2 By taking a two-stage approach to implementing changes to the empty property discounts, will allow owners of long-term empty properties more time to decide what they do with these properties before they are liable to pay the increased charges.
- 8.3 The revised discounts may lead to some complaints and appeals. Section 13A of the Local Government Finance Act 1992 allows for the Council to reduce or remit any amount of Council Tax (at the full cost of the Council). These powers can be considered in certain circumstances where a dwelling cannot be occupied, such as fire or flood damage.

## **9. Other implications**

- 9.1 There are none.

## **10. Timetable for Implementation**

- 10.1 That with effect from 1 April 2024:
- the continuation of existing discounts for:
    - Care leavers
    - Ukrainian Refugees
    - Properties affected by flooding
  - the Council Tax Discount for unoccupied and unfurnished dwellings is reduced from 100% for up to 3 months to 100% for up to 28 days (Class C of the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012)
- 10.2 That with effect from 1 April 2025:

- Increase the additional amount payable for Council Tax from 50% to 100% for dwellings that are unoccupied and substantially unfurnished for more than one year
- Increase the additional amount of Council Tax from 50% to 200% for properties that are unoccupied and unfurnished for more than five years
- Increase the additional amount of Council Tax from 50% to 300% for properties that are unoccupied and unfurnished for more than ten years.

## **11. Conclusions**

- 11.1 The Council is under severe financial pressure and by undertaking a review of locally set discounts, there may be an opportunity to increase income whilst ensuring vulnerable residents are still protected.
- 11.2 Two of the discounts relating to care leavers and ‘thank you’ payments for Sponsors supporting Ukrainian refugees have minimal impact on the Council’s budget and therefore should continue to support these two areas of work.
- 11.3 Whilst there have been no recent applications for flood relief, this discount will play a critical role in alleviating financial hardship in times of emergency so should also remain in force.
- 11.4 Changes to empty property discounts will bring in much needed income and encourage owners of empty properties to bring them back into occupation.
- 11.5 It will also align Runnymede with other Surrey authorities who have already reduced their empty property discounts.
- 11.6 By allowing a 28-day exemption for empty properties, this will continue to support landlords giving them time to ‘make good’ the property prior to reletting.
- 11.7 By deferring the implementation of the long-term empty property increases until 1 April 2025, this will enable owners to bring properties back into use during the 2024/25 financial year before they are liable for the proposed increases.

## **12. Background papers**

There are none.

## **13. Appendices**

- Appendix 1 – Projected increase for long term empty properties.
- Appendix 2 – Options for Empty and Unfurnished discounts