

COUNCIL

27 March 2023

SECOND HOMES AND EMPTY HOMES - COUNCIL TAX PREMIUM

Report of the Portfolio Holder for Finance, Governance and Performance, Change and Transformation

Strategic Aim:	A modern and effective Council	
Key Decision: Yes	Forward Plan Reference: FP/200123	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
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Ward Councillors	All	

DECISION RECOMMENDATIONS

That Council:

- 1) Approve that the following additional Council Tax premiums be applied from 1 April 2024 (or as soon as legally possible) subject to the required legislation being in place:
 - a) a 100% premium for properties which have been empty and unfurnished for longer than one year (rather than 2 years as currently); and
 - b) a 100% premium for second homes.

1 PURPOSE OF THE REPORT

- 1.1 To determine options for proposed changes to Council Tax premiums - as included within the Levelling Up and Regeneration Bill - which, subject to the Bill receiving Royal Assent prior to 31 March 2023, are due to become effective from 1st April 2024.

2 BACKGROUND - LEVELLING UP AND REGENERATION BILL

2.1 In the Government's May 2022 Levelling Up and Regeneration Bill (the Bill), further discretionary Council Tax premium options on empty properties and second homes were proposed. The Government wants to encourage all billing authorities to adopt Council Tax premiums on empty properties with a view to incentivising property owners to bring those properties back into use.

2.2 The Bill also recognises the impact that high levels of second home ownership can have in some areas. Cornwall is often the example quoted where second home ownership is significant.

2.3 Through the Bill it is the Government's intention to:

- reduce the minimum period for the implementation of a premium for empty homes 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 B properties*).

**A class A dwelling is a dwelling which is not the sole or main residence of an individual, is furnished and the occupation of which is restricted by a planning condition preventing occupancy for a continuous period of at least 28 days in the relevant year.*

**A class B dwelling is a dwelling which is not the sole or main residence of an individual, is furnished and 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.*

2.4 Subject to the Bill receiving Royal Assent the proposed changes will come into effect on 1 April 2024 but each Council can choose the premiums it wishes to apply. 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 as 12 months notice is required for the implementation of changes.

2.5 An early, in principle, agreement to the proposals will allow the Council to make timely decisions if and when Royal Assent is granted.

2.6 Despite the national political picture, it is understood that the Bill continues to make its way through Parliament, with an aim of it obtaining Royal Assent in 'spring 2023'. It is currently uncertain whether the Royal Assent will have been granted in time to allow the changes to be implemented in the 2024 year.

3 DETAILED PROPOSALS

3.1 A 100% premium on second homes

3.1.1 A second home is a furnished property which is not the owner's main home. This includes a property left unoccupied and furnished while waiting for tenants, a property used as a holiday home or an inherited property.

3.1.2 Second home owners currently pay the same council tax as others with one home. The new proposals would in effect see owners paying up to double the amount of

council tax they pay now.

3.1.3 Second home ownership is recognised to have a negative impact in terms of the supply of homes available to meet local housing need. Initial, high level analysis shows that:

- there are c180 second homes (Band D equivalents) so c0.9% of the overall taxbase;
- over 53% of second homeowners, live out of the county or abroad;
- second homes are not restricted to larger council tax bands. The following table breaks down second homes by band;

Band	Number
A	20
B	35
C	39
D	31
E	18
F	17
G	13
H	6

3.1.4 The application of a 100% premium on second homes within Rutland could generate in excess of £400k in additional Council Tax revenue. It is proposed that the Council introduces a 100% council tax premium on second homes for the following reasons:

- the premium could bring in a significant amount of additional council tax income;
- the premium may act as a deterrent for second home ownership in the county – Rutland does not wish to suffer the same fate as areas like Cornwall;
- the premium has the potential to make more homes available for first time buyers or others in need.

3.1.5 In adopting this approach, Members should note that owners of second homes are unable to claim Local Council Tax Support (LCTS) on their second home. LCTS can only be claimed at the main address, and the value of the second home will be taken into account.

3.1.6 There will be no discounts or waivers. The Council operates a waiver scheme for the empty home premium. Owners can apply to have the premium waived if they can demonstrate that they are actively and genuinely marketing an empty home for

sale or let or genuinely renovating the property for occupation. This waiver will not apply to second homes as they are furnished and capable of occupation.

3.1.7 The Council also operates an empty home discretionary discount scheme for owners who are suffering from genuine financial hardship and cannot afford to pay the council tax. This scheme will not apply to second homes as the owner is able to let or sell the property if they are no longer able to afford the upkeep of more than one home.

3.1.8 Income generated from the premium would be shared across all preceptors (including the Police and Fire Authority), although the majority of revenue (circa 86%) would benefit the Council.

3.2 Empty and unfurnished properties

3.2.1 The Council applies a 100% premium for properties which have been empty and unfurnished for longer than two years. Currently the premium raises c£76k per year.

3.2.2 Owners are often unaware that council tax is payable on their empty home as they assume that there are no residents using services that the council provides so a charge will not be applied. Officers explain the rationale for the charge and the waiver schemes detailed at points 3.1.6. and 3.1.7 if they are appropriate.

3.2.3 The most common reasons for a property to remain empty are as follows:

- The property had been inherited and the family can't agree what to do with it;
- The property is old and in need of investment to make it habitable; and
- The owner cannot raise the funds needed to undertake remedial works to let or sell.

3.2.4 In some cases, a property is empty because the owner has died. In these circumstances a statutory exemption is applied from the date the property becomes vacant and for 6 months after probate is granted. This gives the executors time to sell the property or to determine its future use e.g. as a family holiday home. When the exemption expires, usual charges apply.

3.2.5 We propose to now apply the premium after one year. This could generate an additional c£115k and more importantly accelerate empty properties being brought back into use quickly. If it prompts owners to act quickly then this will release homes for use, if it does not then additional funds will be raised.

3.3 Potential impacts and issues

3.3.1 A number of concerns have been raised in regards to whether the application of a second homes premium might encourage Council Tax "avoidance", for instance by the owners of such properties transferring the property to business rates. Given that the Council Tax rates for second homes mirror those of main residences there may also be issues with the current classification of properties within each district's Council Tax system, and the application of a second homes premium may prompt owners to reclassify properties for genuine reasons; reducing the potential revenue that might be derived from the premium.

- 3.3.2 Currently, properties that are available to let for more than 20 weeks (140 days) in a calendar year can be rated as business rates by the Valuation Office Agency (VOA).
- 3.3.3 The only detail needed to support such a claim is evidence of an advertisement for let for the property. From April 2023 this criteria will still apply but additionally it must be demonstrated that the property was available to let for more than 20 weeks in the previous year, and proof must be provided that the property was actually let for short periods totalling at least 70 days.
- 3.3.4 The burden of providing evidence to support future changes will be the homeowners and will be verified by the Council and reported to the VOA. This change should ensure that any properties transferring from Council Tax to Business Rates relate to genuine circumstances where the property is being utilised for business purposes.
- 3.3.5 Another concern that has been mooted is that couples who own second homes may claim that they are living separately and are single occupants of each respective property. If such cases arise there will be mechanisms available to the Council to check the circumstances giving rise to any discount or exemption claimed, including single person discounts. These circumstances can be verified against the information that has been supplied to the council to claim the reduction. Financial penalties can be imposed where false information is provided and will assist in ensuring that data held is accurate.
- 3.4 For background, legislation to apply a 100% premium on second homes was introduced in Wales in 2017/18 and the premium was paid on 24,873 properties in the 21/22 year. This number had increased across Wales by 2,005 from the number recorded at the outset of the scheme in 2017/18. Some areas, which historically had the highest number of second homes (e.g. Gwynedd), have seen downward adjustments to the numbers of recorded second homes and the maximum recorded reduction in any area is 9%.
- 3.5 It is uncertain whether these downward trends have been triggered by avoidance loopholes, or are evidence that the premiums have achieved one of the intended outcomes of bringing second homes back into use as mainstream housing provision.
- 3.6 The second homes figures in Wales suggest that regardless of any avoidance issues that might remain within the system there should still be sufficient incentive for the Council to consider a Council Tax premium on second homes in order to help address the impact of second homes.

4 CONSULTATION

- 4.1 The Bill does not include a statutory requirement to consult and the Council has concluded that it will not consult on this matter. In cases like this then it is not uncommon for those impacted by the premium to be against it and those unaffected to support it.
- 4.2 Cabinet is supportive of the proposals. Whilst Overview and Scrutiny has not considered the issues formally, the issues have been raised at Scrutiny and they are believed to be supportive.

5 ALTERNATIVE OPTIONS

- 5.1 The Council could choose not to implement any premium to second homes or apply a lower rate. As a lower rate does not have the same deterrent or generate the maximum level of income, this is not recommended.

6 FINANCIAL IMPLICATIONS

- 6.1 The additional yield would be c£515k but this could vary if second homes are sold or empty homes are brought back into use etc. The implementation of reliefs carries no additional operational cost and bills would be raised in the normal way.

7 LEGAL AND GOVERNANCE CONSIDERATIONS

- 7.1 The recommendations set out within this report are subject to the Levelling Up and Regeneration Bill receiving Royal Assent.
- 7.2 The setting of Council Tax and any discounts or premiums are a matter for Council in accordance with the Local Government Finance Act 1992.
- 7.3 As noted in 2.4, 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 as 12 months' notice is required for the implementation of changes.

8 DATA PROTECTION IMPLICATIONS

- 8.1 A Data Protection Impact Assessments (DPIA) has not been completed as there are no specific issues arising.

9 EQUALITY IMPACT ASSESSMENT

- 9.1 An Equality Impact Assessment has not been completed as there are no specific issue arising.

10 COMMUNITY SAFETY IMPLICATIONS

- 10.1 None.

11 HEALTH AND WELLBEING IMPLICATIONS

- 11.1 None.

12 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 12.1 Members are asked to apply the following premiums from 1 April 2024, subject to the required legislation being in place.
- a) a 100% premium for properties which have been empty and unfurnished for longer than one year (rather than 2 years as currently); and
 - b) a 100% premium for second homes.
- 12.2 This will encourage more empty homes into productive use, while enable the council to raise additional revenue to support local services.

13 BACKGROUND PAPERS

13.1 There are no background papers to the report.

14 APPENDICES

14.1 There are no appendices to the report.

A Large Print Version of this Report is available upon request – Contact 01572 722577.