

This Report will be made public on 16 January 2024

Report Number **A/23/22**

To: Council
Date: 24 January 2024
Status: Key Decision
Responsible Officer: Lydia Morrison, Corporate Service Director

SUBJECT: SECOND HOME AND EMPTY HOME COUNCIL TAX PREMIUMS

SUMMARY:

This is a report to re-affirm a decision passed on 22 February 2023 by Full Council under report number A/22/25. This is due to a delay in Royal Assent being received and therefore a delay of 12 months from the previous decision.

From 1 April 2025, billing authorities will be given the ability to add a Council Tax premium to second homes. Billing authorities will also be given the ability to amend existing long term empty home Council Tax premiums from 1 April 2024. This report reviews these proposals and recommends that some changes are introduced from the financial year 2024/25 and other from the financial year 2025/26.

RECOMMENDATIONS:

1. To receive and note report A/23/22.
2. To introduce a Council Tax premium to second homes from the 2025/26 financial year onwards.
3. To adopt amendments the Council Tax empty home premiums from the 2024/25 financial year onwards as demonstrated in Table 2.

1. BACKGROUND

- 1.1 On 20 February 2019 Council resolved 'to adopt new Council Tax empty home premiums in accordance with changes in legislation from the 2019/20 financial year onwards.'
- 1.2 These premiums were introduced as agreed at the rates and introduction dates listed in Table 1.

Table 1

Introduction date	Premiums that can be applied
1 April 2019	100% premium for properties empty 2 years +
1 April 2020	100% premium for properties empty 2 – 5 years 200% premium for properties empty 5 years +
1 April 2021	100% premium for properties empty 2 – 5 years 200% premium for properties empty 5 – 10 years 300% premium for properties empty 10 years +

- 1.3 Latest figures shows that there are currently 150 properties attracting a 100% premium, 45 properties attracting a 200% premium and 18 properties attracting a 300% premium.
- 1.4 In the Levelling-up and regeneration bill originally dated May 2022 (updated to Levelling-up and Regeneration Act 2023) Government announced an amendment to the Long-Term empty dwellings (England) legislation providing Councils discretion to apply a premium of up to 100% of the Council Tax charge on those properties that have been empty for more than two years to be amended to apply to properties that have been empty for one year plus rather than two. This provision was introduced by Central Government as a tool to assist local authorities in the drive to bring empty properties back into use.
- 1.5 This bill received Royal Assent on 27 October 2023.
- 1.6 The Levelling-up and regeneration bill also introduced new legislation relating to dwellings occupied periodically (England). This relates to properties that are classed as 'second homes'. This provides Councils discretion to apply a premium of no more than 100% to qualifying properties.

The conditions of this criteria are:

- a) There is no resident of the dwelling, and
- b) The dwelling is substantially furnished.

- 1.7 Council passed recommendations relating to this bill on 22 February 2023 under report A/22/25. However, due to the delays in receiving Royal Assent it is required to re-affirm the decision to introduce the permitted premiums.
- 1.8 The Council will also explore using any additional income generated to consider increasing the support offered to low-income households via the Council Tax Reduction Scheme. Any decision will be subject to further consultation and agreement with Kent County Council as the major preceptor.

2. EMPTY HOMES AMENDMENTS

- 2.1 Amendments will allow Councils to introduce the premium for empty homes a year earlier than existing agreements; substituting 2 years for 1 year for the empty premium:

Table 2

Introduction date	Existing premiums	Premiums that can be applied
1 April 2024	100% premium for properties empty 2 years +	100% premium for properties empty 1 years +

- 2.2. The amendments have an impact for financial years beginning on or after 1 April 2024 and it does not matter if the start date of the property being empty is before this comes into force.
- 2.3 It is expected that by reducing the time a property in empty the premium will allow local authorities to strengthen the incentive for owners of empty homes to bring them back into use.
- 2.4 No public consultation is required to introduce this change.
- 2.5 Liable parties will be able to appeal via standard Council Tax appeal routes if they disagree with the applying of a premium on an account based upon facts of an individual case, for example, they state that the property is not empty. The principle of a premium will not be open to appeal.

3. SECOND HOMES AMENDMENTS

- 3.1 Under existing legislation properties classed as second homes have a full charge (100%) and there are no discounts or premiums in place.
- 3.2 By introducing a premium on these properties, it is expected that properties that are not in constant use may be encouraged to be brought back into use for local residents. It would also remove potential loopholes regarding empty homes where an owner could furnish a property to remove it from the list as being classed as an empty home to avoid the premiums that this can attract.

- 3.3 There is no minimum timeframe on this premium and if the premium is agreed any property classed as a second home would attract the premium with effect from 1 April 2025.
- 3.4 The conditions are that there is no resident of the dwelling, and the dwelling is substantially furnished. A billing authority's first determination under this section must be made at least one year before the beginning of the financial year to which it relates.
- 3.5 Taxpayers affected by the changes will be notified prior to the 1 April 2025 so they may make changes to the property before they are impacted by the changes.
- 3.6 It is recognised that some taxpayers may consider moving properties into Non-Domestic rating due to letting legislation to avoid a premium. This will be monitored by the Council and cases investigated as appropriate.
- 3.7 All recommendations are subject to consideration of a Government consultation regarding exceptions to the premium. Details of the questions contained within this consultation can be found in Appendix 2. This closed on 31 August 2023 and results are yet to be published. It is recommended that as part of the decision to introduce any new or amendments to a premium that delegation can be made to the Council's Section 151 officer in consultation with the Cabinet Member responsible for Finance and Governance with regards to finalising a policy to be introduced with consideration to any passed exceptions, once announced.

4. FINANCIAL IMPLICATIONS

- 4.1 Table 3 illustrates the estimated financial impact the additional properties that would be impacted if introduced in April 2024. Please note these figures are based on 2023/24 Council Tax rates and upon Council records as at 1 November 2023.

Table 3: Projection of empty homes premium changes

	Accounts	Average Council Tax charge*	100% premium charge value	Total chargeable (accounts x total charge)	FHDC Benefit (12.93%)
2024/25 projection	308	£2,222.12	£2,222.12	£684,413	£88,495

**Based upon Council Tax Band D average from Council report A/22/31 (22/2/23)*

- 4.2 Table 4 demonstrates the potential impact of introducing the second homes premium. The figures below are provided upon Council records as at 1 November 2023.

Table 4: 100% Council Tax Premium yield on second homes based on latest figures

	Accounts	Average Council Tax charge*	100% premium charge value	Total chargeable (accounts x total charge)	FHDC Benefit (12.93%)
2025/26 projection	1,077	£2,222.12	£2,222.12	£2,393,223	£309,444

**Based upon Council Tax Band D average from Council report A/22/31 (22/2/23)*

4.3 Indicative rates above are based on 100% collection. The Council is aware that not all cases will yield 100% collection in year. Based upon latest figures the collection rates for each category impacted by this report are listed below. These are figures based on in year collection at the end of October 2023. Council targets for in year collection at the end of October 2023 is currently 64.00%. The end of year target for overall collection of Council Tax is 97.3%.

- Accounts with Empty Home Premiums currently in place: 44.50%
- Accounts listed as Second Homes: 27.98%

MANDATORY PROCESS

- 5.1 A full Council resolution is required to introduce the amendments detailing exemptions and agreements of introduction dates and premium amounts.
- 5.2 As detailed in Section 3.5, a policy will be published, mindful of guidance once published by Central Government and in consideration of the outcomes of the Government consultation on possible exceptions.
- 5.3 Final decisions must be passed by 31 March 2024 to be able to introduce any changes from 1 April 2024 for Empty Homes premium changes, and from 1 April 2025 for the introduction of a Second Home premium.
- 5.4 Following any formal decision to change, publication of the change must be published in the local press within 21 days of the date of the determination.

6. RISK MANAGEMENT

6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Additional income to FHDC is not fully realised due to the impact of the current economic climate on collection rates.	High	Medium	Collection to be closely monitored.

7. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's comments

As set out in the Report, the Levelling Up and Regeneration Act allows councils to introduce a new discretionary council tax premium on second homes of up to 100% and amend existing long term empty home Council Tax premiums.

7.2 Finance Officer's comments

All necessary financial information is included within the body of this report.

7.3 Diversities and Equalities Implications

There are no equality and diversity implications directly arising from this report.

7.4 Communications

Publication of the decision must be made with 21 days of the decision as stated in the report.

7.5 Climate Change Implications

There are no climate change implications for this report.

8 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

- 8.1 Councillors with any questions arising out of this report should contact the following officer prior to the meeting

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- 8.2 The following background documents have been relied upon in the preparation of this report:

Appendices:

Appendix 1 – Levelling-up and Regeneration Act 2023 (Points 79-80)

<https://www.legislation.gov.uk/ukpga/2023/55/enacted>

Appendix 2 – Overview of Government consultation on when not to charge premiums