

Council Tax Long Term Empty & Second Homes Premium Policy



To:

Strategy & Resources Scrutiny Committee 25th March 2024

Report by: Kevin Jay, Local Taxation Manager

Wards affected:

All wards

1. Executive Summary

- 1.1 The purpose of this report is to seek approval relating to Council Tax premiums - as provided within the Levelling Up and Regeneration Act – which received Royal assent on 26th October 2023, and is due to become effective from 1st April 2024.
- 1.2 The Act provides additional discretionary powers for Council Tax premium options in respect of Long-Term Empty property and Second Homes.

Those options enable the Council to impose additional Council Tax premiums on Long Term Empty property and Second Homes with effect from 1 April 2025.
- 1.3 Government has confirmed that billing authorities that wish to adopt any changes are required to make a resolution confirming

their requirements at least 12 months prior to the financial year in which the changes come into effect; meaning the earliest these changes can be adopted is the 1 April 2024 with new premiums being applied from 1 April 2025.

This 'notice' period provides that a minimum of 12 months notice must be given before the financial year from which the changes to a premium can be applied.

2. Recommendations

The Executive Councillor is recommended to:

- 2.1 Support in principle that the following additional Council Tax premiums be applied from 1 April 2025 or as soon as possible thereafter, subject to the required legislation or further guidance being in place:
 - 100% premium for properties which have been empty and unfurnished for a period of between 1 (previously 2) and 5 years. This brings forward the charging of an Empty Homes premium so that it would be charged after 1 year of being empty instead of the current 2 years, and
 - A premium of up to 100% for second homes subject to any exception being applicable.
- 2.2 Delegate authority to the Chief Finance Officer (s151 officer) to implement the introduction of these additional premiums taking into consideration any future guidance and best practice issued by Government.

3. Background

Page: 2

- 3.1 This report sets out the recommendations for Council Tax premiums on empty properties and second homes based on the proposals set out within the Act.

Although final guidance is still awaited in relation to certain properties that would be 'excepted' from being charged a premium an early 'in principle' agreement to the proposals will allow the Council to implement premiums at the earliest opportunity.

The Government encourages 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 at the earliest opportunity.

A 100% premium is currently charged where properties are left unoccupied and unfurnished for periods exceeding 2 years, as well as a 200% premium for properties which are empty for 5 years and over and 300% for 10 years and over.

- 3.2 The Levelling Up and Regeneration Act provides additional powers to address empty properties through the application of Council Tax premiums.

This includes measures which recognise the impact that high levels long term empty property and second home ownership can have on housing need in some areas.

- 3.3 Through the Act it is the Government's intention to allow Councils to:

- reduce the minimum period for the implementation of a Council Tax premium for long term empty premises from the current two years to one year, and.
- introduce a new Council Tax premium of up to 100% in respect of second homes.

- 3.4 In its current form the Bill requires billing authorities to make a resolution confirming their intentions on the application of the premiums at least 12 months prior to the financial year in which the changes will come into effect.

3.5 Although the Bill has received Royal Assent detailed guidance on how the scheme will operate is still awaited although significant changes are not expected.

Guidance is likely to provide for 'Exceptions' from being charged a premium. Primarily these are expected to include:-

- Properties undergoing Probate,
- Properties actively being marketed for sale or let.
- Properties undergoing major repair,
- Job related dwellings.

3.6 Second home ownership within Cambridge City is significant and is recognised to have a negative impact in terms of the supply of homes available to meet local housing need. The Council Tax Base (CTB) return that was submitted to Government in October 2023 showed that Cambridge City Council has 1458 properties designated as second homes on the Council Tax system, as shown in the table below, by Council Tax band, although not all second homes will attract a premium.

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
179	273	416	312	148	73	57	0

3.7 Properties identified as Second Homes are constantly changing which makes modelling of potential outcomes quite difficult. Initial high-level analysis, based on the above snapshot of data and after allowing for potential exceptions from the premium, indicates that the application of a 100% premium on second homes within Cambridge City could be applied to approximately 400-500 of those properties and generate around £1.0m in additional Council

Tax revenue, excluding allowance for non-collection. These figures are indicative only and are dependent on the level of 'exceptions' applied, changes of use of properties and realignment of properties inaccurately recorded as second homes.

- 3.8 Long Term Empty homes premiums are equally difficult to predict and are subject to constant change. Current data shows 54 properties being charged a 100% premium as they have been empty for more than 2 years. If the 2yr threshold were reduced to 1 year 22 additional properties would be brought into scope of a premium generating additional Council Tax revenue of approximately £50k. Again, this is a snapshot of cases based on billing data which is constantly changing. It cannot be assumed that a change in the thresholds for empty home premiums will result in this additional income, however it should provide some context and that overall the numbers of properties within scope are likely to be relatively low.
- 3.9 Income generated from the premium would be shared across the main preceptors in the usual way (including Cambridgeshire County Council, Fire & Police & Crime Commissioner).
- 3.10 It is anticipated that some properties currently classified as second homes may not be being used as second homes.

This will result in a number of properties being re-classified as main residences for genuine reasons.

We anticipate an element of data cleansing in the lead up to any charges being applied which may reduce the scope for applying additional premiums, this together with the exceptions as outlined at 3.5 could reduce the potential revenue that might be derived from applying the premium.

4. Implications

a) Financial Implications

Second homes premiums could generate in the region of £1.0m. A further £50k could be raised from an empty home premium being applied after 1 year instead of the current 2 years although this is more difficult to predict as eligibility of a property for this premium changes over time.

In practice these figures could be lower and impacted by customer behaviour including redesignating primary residences or switching properties into Business Rates.

Overall financial benefit is likely to diminish over time as there will be an incentive to bring those properties back into use and therefore they will not attract a premium.

b) Staffing Implications

Some additional work will be required to implement the policy however this will be managed within existing staff resources in the Council Tax team.

c) Equality and Poverty Implications

The key policy aim is to bring long term empty dwellings and property used as Second Homes back into use and available as permanent housing.

Only owners of property who choose to leave dwellings intentionally empty for long periods (in excess of 1year) or maintain Second Homes where an owner chooses to occupy infrequently and has their main home elsewhere will be impacted.

The use of premiums is intended to help incentivise a behaviour change that will increase the supply of available housing which can support those on low incomes and suffering poverty and reduce pressure on the demand for housing. The additional revenue from these premiums can be used to further support the provision of services by all precepting authorities.

The policy change does not impact on the amounts of Council Tax charged on any dwelling occupied by residents as their main home . Any occupier of a property which is occupied as their main residence will see no change in the amount of Council Tax being charged.

d) Net Zero Carbon, Climate Change and Environmental Implications

None

e) Procurement Implications

None - the process of applying premiums will be facilitated through existing functionality in the Council Tax billing system.

f) Community Safety Implications

None

5. Consultation and communication considerations

There is no specific requirement for formal consultation on this policy change, although at least one year's notice will need to be given before a new Long Term Empty or 2nd Homes Premium is applied.

Government issued a detailed consultation paper mid 2023 and sought views on the proposed premium exceptions, the key areas agreed and expected to be in future guidance are shown at 3.5 above.

6. Background papers

Background papers used in the preparation of this report:

Levelling Up and Regeneration Bill

Available from :

www.legislation.gov.uk/ukpga/2023/55/contents/enacted

7. Appendices

None

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact: Kevin Jay, Local Taxation Manager, 01223 457704
kevin.jay@cambridge.gov.uk