

**OVERVIEW & SCRUTINY  
29 JANUARY 2024**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: COUNCIL TAX PREMIUMS ON EMPTY PROPERTIES AND SECOND HOMES PREMIUMS**

**REPORT OF: SERVICE DIRECTOR - CUSTOMERS**

**EXECUTIVE MEMBER: COUNCILLOR IAN ALBERT**

**COUNCIL PRIORITY: SUSTAINABILITY**

**1. EXECUTIVE SUMMARY**

1.1 To consider whether to increase the level of Council Tax Premiums payable and include a Council Tax Premium charge for properties determined as second homes.

**2. RECOMMENDATIONS**

2.1. That in accordance with Section 11B and 11C of the Local Government Finance Act 1992 as amended by Section 2 of the Rating (Properties in Common Occupation) & Council Tax (Empty Dwellings) Act 2018 and the Levelling Up and Regeneration Act 2023, Cabinet considers increasing the council tax premiums on empty homes and introducing a new premium on second homes in a phased approach as follows:

2.1.1 That from 1 April **2025** the Council adopts the following full Premium levy rates:

- Properties empty for one year but less than five will receive a 100% Premium.
- Properties empty for five years but less than ten years a 200% Premium.
- Properties empty for more than ten years a 300% Premium.

2.1.2 That from 1 April **2024** until 31 March 2025 the following interim premiums are introduced:

- Properties empty for one year but less than two will not receive a Premium
- Properties empty for more than two years, but less than five years will receive a 100% Premium.
- Properties empty for five years but less than ten years a 150% Premium.
- Properties empty for more than ten years a 200% Premium.

2.2. That from 1 April **2025** a 100% Premium is levied on all properties that are determined as a second home, subject to any exceptions once these have been confirmed by Regulations and that the Service Director – Customers in consultation with the Executive Member for Finance and IT is delegated authority to make any amendments following further confirmation of the Regulations.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. To support the principle of bringing unoccupied properties back into occupation in line with the proposed empty homes strategy. At the time of writing there are 43 properties that have been unoccupied for over five years.
- 3.2. The introduction of a phased approach of increasing the premiums enables us to advertise the changes. As the introduction of premiums for properties unoccupied for between one and two years is new there will be no expectation on the owners of these properties of an additional premium and therefore it is recommended that this aspect is deferred until 2025 to allow time to advertise the change.
- 3.3. In respect of a premium on Second Homes the Council is required to give one year's notice as this is the Council's first determination in this regard and therefore a resolution must be made before the end of the 2023/24 financial year in order to bring in the premium from 01 April 2025.
- 3.4. The Council does have the ability to revoke the decision in relation to Second Homes premium, during the year should any consultation that is carried out provide evidence that this would not be effective.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

##### **Empty Homes:**

- 4.1. As this is a discretionary area, rather than taking the stepped approach outlined at 2.1.1 and 2.1.2 the Council could opt to continue with the current position that all properties empty for more than two years receive a 100% Premium.
- 4.2. The Council could seek to use the legislation to the maximum, which would result in properties empty between five and ten years receiving the 200% additional premium and properties empty for more than ten years receive the 300% additional premium.

##### **Second Homes:**

- 4.3. Currently all properties deemed as a second home receive a 10% discount, this is purely to identify them in the tax base for reporting purposes. As this is a discretionary area the Council could opt to continue with the current position of a 10% discount and not introduce a premium.

#### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 The Executive & Deputy Executive Members for Finance & IT have been consulted on the proposals and are in favour of increasing the premiums as set out in 2.1.1 and 2.1.2.
- 5.2 The Executive and Deputy Executive Members for Housing and Environmental Health have been consulted due to the alignment with the Empty Homes Strategy being developed and support the approach being recommended.
- 5.3 There is no requirement to consult with the public in relation to the premium levied on empty homes, any change can be implemented from 1 April 2024.
- 5.3 There is no requirement to consult with the public in relation to the premium levied on properties classed as second homes. However, as this is the Council's first determination it must be made at least one year before the beginning of the financial year to which it relates, so this cannot come into effect until 1 April 2025.

- 5.4 Whilst there is no requirement to consult the Council will publicise these changes in the local press and via or website and social media channels and will proactively try to contact the owners of the empty properties, initially prioritising those that will be impacted by the changes in 2024, to give as much notice as possible of the changes.

## 6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 22 December 2023.

## 7. BACKGROUND

- 7.1 In October 2011 the then Department for Communities and Local Government (DCLG) consulted on proposals for a number of technical changes to Council Tax, primarily aimed at giving more discretion to Billing Authorities on how they may treat empty properties in terms of Discounts that can be awarded. The Government's policy intention was to encourage owners to bring more empty homes back into occupation.

- 7.2 As a result of this consultation Sections 11A and 11B of the Local Government Finance Act 1992, were amended by the Local Government Finance Act 2012, giving billing authorities new powers to determine further discounts for prescribed dwellings and set higher amounts for long term empty properties.

- 7.3 Following these amendments, the Council implemented the following from 01 April 2013

- continue to award a 10% Discount for Council Tax liability for second homes.
- to increase the amount of Council Tax payable by 50% for properties that previously fell under Exemption Classes A & C and which have been unoccupied for more than two years. Similarly, the intention was to encourage owners of longer-term empty properties to bring these into occupation.

- 7.4 From 01 April 2021 the Council increased the empty homes levy from 50% to 100% for all properties empty for more than two years. As detailed below at 8.9 Table 1, there were 118 properties empty over two years.

- 7.5 The legislation in 7.2 above gives the Councils the power to charge a Council Tax premium and the Council has exercised that power since 1 April 2013.

## 8. RELEVANT CONSIDERATIONS

- 8.1. **EMPTY HOMES** - In 2018 the Rating of Property in Common Occupation and Council Tax (Empty Dwellings) Act Legislation introduced allows Councils the ability to charge higher premiums for longer term empty properties as follows:

- From 1 April 2019 up to 100% for properties empty more than two years
- From 1 April 2020 up to 200% for properties empty more than five years
- From 1 April 2021 up to 300% for properties empty more than ten years

- 8.2 Section 79(1)(b) of the Levelling Up and Regeneration Act 2023 allows the Council to impose a premium after one year instead of two years. Section 80 provides that from 1 April 2024 a property can be charged an empty homes premium of 100% after one year, even if the property became empty before 1 April 2024. Therefore, the Council Tax payable would be as follows:

- 100% for properties empty more than one year, but less than five years
- 200% for properties empty more than five years, but less than 10 years

- 300% for properties empty more than ten years
- 8.3 The policy intention is to give further powers to Councils to encourage owners of long-term empty properties to bring these back into occupation.
- 8.4 The Council currently awards a 100% discount (no Council Tax is payable) for a period of fifty-six days when a property becomes empty to allow time for changes in occupation. From the fifty-seventh day, 100% of the Council Tax becomes due.
- 8.5 When a property has remained empty for two years or more a 100% premium is levied.
- 8.6 **SECOND HOMES** – Section 80 (2) of the Levelling Up and Regeneration Act 2023 inserts a new section into the Local Government Finance act 1992. This allows the Council to apply a premium to be levied on second homes of up to 100%.
- 8.7 The Council currently applies a 10% discount to properties that have been determined as a second home.

**Council Tax Premiums for Empty Homes**

- 8.8 The Council currently charges an additional 100% in respect of properties that have been unoccupied for more than two years. The properties in question do change from time-to-time as some may go back into occupation and others exceed the two-year period, therefore any comparisons can only be made from a snapshot in time.
- 8.9 Table 1 shows the number of properties empty for over two years when the Tax Base Return is submitted in October of each year, since the measure was introduced.

**Table 1**

<b>Year</b>	<b>Number of Properties</b>
2013	70
2014	87
2015	92
2016	89
2017	99
2018	107
2019	109
2020	118
2021	103
2022	158
2023	157

- 8.10 The table shows that the number of empty homes in the district has continued to rise, with it being more than double the number in 2023 than in 2013. It should be noted that these numbers are a snapshot at the beginning of October each year and the figures do change on a day-to-day basis.
- 8.11 Table 2 below shows the breakdown of properties by the number of years the property has been empty, and the overall current revenue raised. All properties have the 100% levy applied to the account, so liability is 200% Council Tax. The table shows 7 properties where the Council has used its discretion and has not applied the premium.

**Table 2**

<b>Empty Period</b>	<b>Number of Properties</b>	<b>Current Income £,000</b>
2 to 5 years (100%)	107	209
5 to 10 years (100%)	27	54
Over 10 years (100%)	16	29
Discretionary cases (ignored)	7	-
<b>Total</b>	<b>150</b>	<b>292</b>

- 8.12 Table 3 below shows the additional income that would be generated per annum based on the maximum level of premium that can be charged for each period of non-occupation, including the properties that can be charged after one year of being empty.

**Table 3**

<b>Empty Period</b>	<b>Number of Properties</b>	<b>Additional Income £,000</b>
1 to 2 years (100%)	109	433
2 to 5 years (100%)	107	418
5 to 10 years (200%)	27	161
Over 10 years (300%)	16	117
<b>Total</b>	<b>259</b>	<b>1,129</b>

- 8.14 It should be noted that whilst this could potentially raise an additional £1.1M extra Council Tax, the District Council's share of this is around 12% or £135K. If a stepped approach is adopted this would equate to an extra 63.9K with the districts share being 76.6K in 2024/2025. These figures assume full collection. However, as previously stated the aim of the premiums is not financially driven but is to encourage the bringing of empty homes back into occupation.
- 8.15 The existing premium of 100%, is currently being paid by 121 of the 150 cases where discretion has not been applied. There are currently 29 that are not paying regularly, in these cases the Council will consider the use of charging orders to secure payment where appropriate.
- 8.16 If the Council were to impose the additional premiums detailed at 8.13 in Table 3, it may cause considerable collection difficulties in some instances. For example, one property in Band G who is currently paying, would see its Council Tax rise from £6,986.98 to £13,973.96 per annum. However, the stepped approach proposed for 2024/2025 would be an increase to £10,480.47 rising to the maximum £13,973.96 in 2025/2026.
- 8.17 Table 4 below shows the breakdown by liable party, which shows that the majority of the accounts that would be affected by this are individuals, who may be hindered by extra Council Tax if they are undertaking renovations themselves and there may be a risk that the increase in council tax could impact on their ability to complete the renovation in a timely manner. The deferred introduction of the premium for those properties in the 1 to 2 year bracket would allow time for us to advertise the forthcoming changes and give a 12 month notice period to those property owners.

**Table 4**

<b>Empty Period</b>	<b>Social Landlords</b>	<b>Companies</b>	<b>Individuals</b>	<b>Executors</b>
1 to 2 years	15	13	65	16
2 to 5 years	39	13	45	10

5 to 10 years	5	3	15	4
Over 10 years	5 (4 Settle 1 NHC)	4	6	1
<b>Total</b>	<b>64</b>	<b>33</b>	<b>131</b>	<b>31</b>

## **Second Homes**

- 8.20 The Council currently applies a 10% discount to properties deemed a second home. This means that these accounts receive a 90% Council Tax Bill. The property must be furnished in order to receive this 10% discount.
- 8.21 Table 5 below shows the number of properties that are currently deemed as a second home. It shows the revenue currently raised, after the 10% discount and the potential revenue that would be raised if the Council adopts the 100% premium for second homes, with effect from 1 April 2025.

**Table 5**

<b>Number of properties</b>	<b>Current revenue raised, after 10% discount £,000</b>	<b>Potential Revenue Raised £,000</b>
281	424	943

- 8.23 As this is the Council's first determination in relation to a premium for second homes, it must be made at least one year before the beginning of the financial year to which it relates, so it should be noted that this cannot come into effect until 1 April 2025.
- 8.24 At the point of writing this report we are still awaiting regulations which will outline exceptions to the premium being applied. Once these have been determined, they will form part of the Council's overarching Policy in relation to this.
- 8.25 The Council may from time to time use its discretion in exceptional cases, to choose not to apply the premium, in relation to both empty homes and second home discounts. Criteria for this will form part of the Council's overarching Policy in relation to this.

## **9. LEGAL IMPLICATIONS**

- 9.1. Overview and Scrutiny's terms of reference in the Constitution include at .2.7 c) To make reports or recommendations to the authority or the Executive with respect to the discharge of any functions which are the responsibility of the Executive.
- 9.2. **Empty Properties** - Section 2 of the Rating (Properties in Common Occupation) & Council Tax (Empty Dwellings) Act 2018 amends Section 11B of the Local Government Finance Act 1992 with the provisions detailed in 8.1 and 8.2. This gives a Council the discretion to increase the Premiums payable on Empty Properties if it so wishes.
- 9.3. Section 79(1)(b) of the Levelling Up and Regeneration Act 2023 allows the Council to impose a premium after one year instead of two years.
- 9.4. **Second Homes** - Section 80 (1) of the Levelling Up and Regeneration Act 2023 inserts a new section into the Local Government Finance act 1992. Section 80 (2) of the Act allows the Council to apply a premium to be levied on second homes of up to 100%.

- 9.5. As this is the Council's first determination in relation to a premium for second homes, it must be made at least one year before the beginning of the financial year to which it relates, so this cannot come into effect until 1 April 2025.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The Government's policy intention of increasing premiums on empty and second homes is to encourage owners to bring more homes back into occupation. The Council's Empty Homes Strategy also seeks to achieve this. Therefore, the Council's consideration of increasing premiums is not driven by raising income through this approach.
- 10.2 Paragraph 8.14 of this report sets out the potential increase in revenue from increasing premiums, the figures are based on an assumption of full collection, which it must be noted may not be possible.
- 10.3 If the policy intention of bringing homes back into occupation is realised then additional premiums currently being paid will cease, reducing income to the Council.

## **11. RISK IMPLICATIONS**

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 With a few exceptions, the existing Premium of 100% is proving to be fairly easy to collect, having only 29 accounts not being paid. Increasing the Premiums to the maximum allowable will result in some owners having significantly higher Council Tax bills. This may lead to difficulties in securing collection of the increased amounts, but the Council would need to consider exercising the use of Charging Orders to secure payment of unpaid amounts.
- 11.3 The Council maintains a bad debt provision to provide for uncollectable debt. Any shortfall in the collection fund would have to be made up by the major precepting authorities in proportion to the level of precept. At current estimates, 12% of any bad debt would need to be borne by the Council.

## **12. EQUALITIES IMPLICATIONS**

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. Owners of long-term empty properties come from a wide range of backgrounds and are not restricted to property owning landlords, the table at 8.17 shows the liability parties for current long-term empty properties. Properties may have been inherited in poor condition and the owners are making efforts to bring these up to an acceptable standard to bring them back into occupation with limited resources. The Equality assessment for the Council's Empty Home strategy set out the positive impacts that the wider community might benefit from (Enhanced community inclusion, potential increase of social mobility and potential reduction in homelessness).

## **13. SOCIAL VALUE IMPLICATIONS**

13.1. The Social Value Act and “go local” requirements do not apply to this report.

#### **14. ENVIRONMENTAL IMPLICATIONS**

14.1. There are no known Environmental impacts or requirements that apply to the decision as set out in this report. The bringing back of empty homes into use is a more sustainable way of increasing the supply of homes than building new dwellings.

#### **15. HUMAN RESOURCES IMPLICATIONS**

15.1 There are no Human Resource implications in this report.

#### **16. APPENDICES**

16.1 Appendix 1 - Draft Policy Document (to be updated once decision taken)

#### **17. CONTACT OFFICERS**

17.1 Johanne Dufficy, Service Director - Customers  
[johanne.dufficy@north-herts.gov.uk](mailto:johanne.dufficy@north-herts.gov.uk) ext. 4555

17.2 Geraldine Goodwin, Revenues Manager  
[geraldine.goodwin@north-herts.gov.uk](mailto:geraldine.goodwin@north-herts.gov.uk) ext. 4277

17.3 Ian Couper, Service Director - Resources  
[ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk) ext. 4243

17.4 Rachel Cooper, Controls, Risk and Performance Manager  
[Rachel.cooper@north-herts.gov.uk](mailto:Rachel.cooper@north-herts.gov.uk) ext.4606

17.5 Jo Doggett, Service Director Housing and Environmental Health  
[Jo.doggett@north-herts.gov.uk](mailto:Jo.doggett@north-herts.gov.uk) ext.4470

17.6 Isabelle Alajooz, Legal Commercial Team Manager and Deputy Monitoring Officer  
[Isabelle.alajooz@north-herts.gov.uk](mailto:Isabelle.alajooz@north-herts.gov.uk) ext.4346

17.7 Reuben Ayavoo, Policy and Communities Manager  
[Reuben.Ayavoo@north-herts.gov.uk](mailto:Reuben.Ayavoo@north-herts.gov.uk) ext.4212

#### **18. BACKGROUND PAPERS**

18.1 None