

Arun District Council

REPORT TO:	Policy & Finance Committee – 7 March 2024
SUBJECT:	Council Tax Premium on Empty Properties & Second Homes
LEAD OFFICER:	Antony Baden, Group Head of Finance & Section 151 Officer
LEAD MEMBER:	Councillor Matt Stanley
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: Maximizing income from Council Tax plays a key role in funding the delivery of all the Council's Corporate Priorities.	
DIRECTORATE POLICY CONTEXT: The collection of Council Tax helps to fund activities of all the Council's Directorates.	
FINANCIAL SUMMARY: Empty Properties Premium & Second Homes Premium The financial impact of charging a 100% premium for unoccupied and substantially unfurnished property after twelve months and introducing a second homes premium with effect from 1 April 2025 would generate additional council tax income of approximately £420k to this Council. Based on the latest data available, levying the premium after a property has been empty for one year, (it is currently levied after two years), would generate additional council tax income of £65k and implementing the second homes premium would generate additional council tax income of £355k. This income would be realized with effect from 2025/26 financial year.	

1. PURPOSE OF REPORT

- 1.1. The purpose of the report is to present options to increase council tax income collection by charging council tax on empty properties after one year of being empty, (rather than the current policy of doing so after two years), and by introducing of a second homes premium, both with effect from 1 April 2025.

2. RECOMMENDATIONS

- 2.1 It is recommended that Policy & Finance Committee:

- (a) approves that the minimum period before council tax is charged on empty properties be reduced from two years to one year, with effect from 1 April 2025;

- (b) delegates authority to the Group Head of Finance and Section 151 Officer to waive any premium in exceptional circumstances, to be reviewed on a case-by-case basis; and
- (c) delegates authority to the Group Head of Finance and Section 151 Officer to make implement further changes that may be prescribed by the Secretary of State.

And it is recommended that the Policy & Finance Committee recommends to Full Council that:

- (d) a council tax premium of up to 100% in respect of second homes be introduced, with effect from 1 April 2025;

3. EXECUTIVE SUMMARY

- 3.1 The Levelling Up and Regeneration Act 2023 has granted local authorities the discretion to implement changes to the charging of council tax on empty properties and second homes.
- 3.2 As a result, this Committee is asked to consider reducing the length of time that a property can remain empty before council tax is charged from two years to one year. The Committee is also asked to implement a second homes premium council tax charge.
- 3.3 As reported to this Committee on 8 February 2024 and Full Council on 21 February 2024, the Group Head of Finance and Section 151 Officer, in consultation with the Leader of the Council, has approved a council tax base of 64,550 for 2024/2025. Therefore, any approved changes outlined in this report would be effective from 1 April 2025.

4. DETAIL

- 4.1 The Levelling Up and Regeneration Act includes discretionary options for the application of Council Tax premiums on empty properties and second homes. Billing authorities that wish to adopt any changes are required to make a Council resolution confirming their requirements at least twelve months prior to the financial year in which the changes will come into effect. The Act intends to:
 - Reduce the minimum period for the implementation of a Council Tax premium for empty premises from two years to one year; and
 - Allow Councils to introduce a Council Tax premium of up to 100% in respect of second homes.

Council Tax premium on second homes

- 4.2 Second home ownership across the district is significant and is recognized to have a negative impact on the supply of homes available to meet local housing need. Analysis of data shows that the application of a 100% premium on approximately 1,700 second homes within the Arun district could generate about £373k in additional council tax revenue to this Council.
- 4.3 The application of a premium on second homes might result in second homeowners seeking ways of transferring their properties to the Business Rates system, thereby reducing the amount of additional council tax income that might be generated. These are outlined in paragraphs 4.4 to 4.6 below.
- 4.4 Under current legislation, a property which is available to let for more than 20 weeks (140 days) in a calendar year is assessed as liable to Business Rates by the Valuation Office Agency (VOA). To support this assessment, evidence of advertisement of the property to let must be submitted. Very often when second homes are classed as holiday lets the owner pays no business rates because they qualify for small business rate relief.
- 4.5 From April 2023, the assessment criteria were strengthened to include an additional requirement for an applicant to demonstrate that the property was available to let for more than 20 weeks in prior year, with further evidence that the property was let for short periods totaling at least 70 days to be submitted. It will be the responsibility of homeowners to provide such evidence which will be verified by the council and reported to the VOA. These changes will ensure that applications to transfer properties from Council Tax to Business Rates are subject to appropriate control checks.
- 4.6 Where a second home is owned jointly, by couples, the avoidance of the premium may be possible if individuals claim to live separately as single occupants of each respective property. In such cases, controls are in place to verify circumstances which might give rise to discounts and exemptions claimed and the information to support such claims. Financial penalties can be imposed where false information is provided, and this will serve to ensure that data which informs billing is accurate.

Council Tax premium on empty properties

- 4.7 Since 2013 the Government have enabled Billing Authorities to levy a Council Tax premium in relation to any dwelling that, for a continuous two-year period, has been unoccupied or substantially unfurnished.
- 4.8 Until 2019 the Council levied the premium at 50% and since 1 April 2019 the Government have enabled Billing Authorities to increase the level of premium charge incrementally. The current charging policy outlined below:
- 1 April 2019 - council tax premium can be charged at 100% for properties unoccupied and substantially unfurnished for more than two years.
 - 1 April 2020 - council tax premium can be charged at 200% in relation to dwellings unoccupied and substantially unfurnished for more than five years.

- From 1 April 2021 - council tax premium can be charged at 300% for properties unoccupied and substantially unfurnished for more than ten years.

4.9 Analysis of data indicates that charging a 100% premium after one year on approximately 311 empty properties would generate about £65k in additional council tax revenue to this Council.

5. CONSULTATION

5.1. The proposals have been discussed with the Chair and Vice Chair of the Policy & Finance Committee.

6. OPTIONS / ALTERNATIVES CONSIDERED

6.1 Members could choose not to approve the recommendations in this report but that would have a detrimental impact on the amount of council tax generated as there are no alternatives to the proposals.

7. COMMENTS BY THE GROUP HEAD OF FINANCE AND SECTION 151 OFFICER

7.1 The financial impact of implementing the proposals outlined this report are summarized in the table below:

Recommended charging policy	Dwellings as at November 2023	Council Band D Tax for 2024/25	Additional Council Tax income
Second Homes premium	1,706	£208.39	£355,513.34
Premium of 100% after 12 months	311*	£208.39	£64,809.29
Total			£420,322.63

**Note: Excludes 78 dwellings already paying the 100% premium.*

7.2 The dwellings figures are based on the council tax base return completed in November 2023 and approved by the Group Head of Finance, in consultation with the Leader of the Council. The council tax Band D figure is the same as that approved by Full Council on the 21 February 2024.

7.3 The estimated additional income in the above table will vary depending on the actual number of dwellings and actual property council tax bands. The income would be realized with effect from 2025/26.

8. RISK ASSESSMENT CONSIDERATIONS

8.1. Introducing a council tax charge on second homes could result in a drop in council tax income if second homeowners seek to move their properties to the Business Rates system, as outlined in paragraphs 4.3 to 4.6 above.

8.2. A decision to increase empty property charges may lead to an increase in requests for discretionary discounts.

9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

9.1. Members should note that while the Housing and Wellbeing Committee has responsibility for exercising the Council's functions in relation to Revenues and Benefits, this report is being brought to the Policy and Finance Committee because this Committee is responsible for budget preparation and monitoring and these recommendations fall within that responsibility.

9.2. Sections 11A (discounts: special provision for England); Section 11B (higher amount for long-term empty dwellings: England) and section 13A(1)(c) (reductions by billing authority) of the Local Government Finance Act 1992 are relevant to this Report. In addition, section 11C of the Local Government Finance Act 1992 is applicable to Dwellings Occupied Periodically (premiums for second homes).

9.3. Section 11D of the Local Government Finance Act 1992 enables the Secretary of State to make regulations or issue guidance on the application of the premiums and the Committee is asked to delegate authority to the Section 151 Officer to implement further changes that are prescribed by the Secretary of State.

9.4. A resolution arising from the recommendations in this report should be published in a local newspaper within 21 days of the resolution being made.

10. HUMAN RESOURCES IMPACT

10.1. There are no impacts.

11. HEALTH & SAFETY IMPACT

11.1. There are no impacts.

12. PROPERTY & ESTATES IMPACT

12.1. There are no impacts.

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1 There are no impacts.

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1. There are no impacts.

15. CRIME AND DISORDER REDUCTION IMPACT

15.1. There are no impacts.

16.HUMAN RIGHTS IMPACT

16.1. There are no impacts.

17.FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1. There are no specific FOI or Data Protection implications.

CONTACT OFFICER:

Name: Andrew Dale
Job Title: Revenues & Benefits Manager
Contact Number: 01903 737630