

# Title of report: Council Tax Premiums on Second Homes & Empty Properties

**Meeting: Council**

**Meeting date: Friday 10 February 2023**

**Report by: Cabinet member finance, corporate services and planning;**

## **Classification**

Open

## **Decision type**

Budget and policy framework

## **Wards affected**

(All Wards);

## **Purpose**

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

## **Recommendation(s)**

**That:**

- a) **Council approves the following additional Council Tax premiums be applied from 1 April 2024, subject to the referenced legislation being approved:**
- **100% premium for second homes;**
  - **100% premium for properties which have been empty and unfurnished for a period of between 1 and 2 years.**

## **Alternative options**

1. Council could choose not to approve the additional Council Tax premiums. This is not recommended as this will prevent the generation of additional potential Council Tax income for

the council. An early decision in principle, is recommended to allow timely decisions to be made if and when Royal Assent of the Bill is granted.

## **Key considerations and background**

2. As billing authority, the council is required to set the overall council tax for the following financial year. Council approved the net tax base on which the 2022/23 precept is in part based at its meeting on 11 February 2022; the remaining precept elements are set by other authorities and the council acts as the collecting agent for those precepted sums.
3. The Government's Levelling Up and Regeneration Bill was published in May 2022 and includes further discretionary options for the application of Council Tax premiums on empty properties and second homes. Subject to the Bill receiving Royal Assent the proposed changes will come into effect on 1 April 2024.
4. Billing authorities that wish to adopt any changes arising from the Bill are required to make a Council resolution confirming their requirements at least 12 months prior to the financial year in which the changes will come into effect; meaning that the Bill will need to obtain Royal Assent prior to 31 March 2023 in order to adopt the changes for the year commencing 1 April 2024.
5. Through the Bill it is the Government's intention to:
  - a. Reduce the minimum period for the implementation of a Council Tax premium for empty premises from two years to one year; and
  - b. Allow Councils to introduce a Council Tax premium of up to 100% in respect of second homes.
6. The changes outlined in paragraph 5 above are subject to the Bill receiving Royal Assent and would become active from 1 April 2024 at the earliest. 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; meaning that the Bill will require Royal Assent to be obtained prior to 31st March 2023 in order for billing authorities to be given the powers to make a resolution and adopt the changes for the year commencing 1 April 2024.
7. At the date of this report, the Bill continues to progress through Parliament with an aim for Royal Assent in Spring 2023. It is currently uncertain whether Royal Assent will be granted to allow changes to be implemented from 1 April 2024.
8. Second home ownership across the county is significant and is recognised to have a negative impact on the supply of homes available to meet local housing need. Initial, high level, analysis based on census data shows that the application of a 100% premium on approximately 6,900 second homes within Herefordshire could generate in excess of £12m in additional Council Tax revenue.
9. Income generated from the premium would be shared across all preceptors (including the Police and Fire Authority) although the majority of additional revenue billed would benefit the council.
10. It is recognised that the application of a second homes premium might encourage Council Tax avoidance, for example by second home owners transferring properties to become liable to Business Rates. In addition, the application of a premium may prompt owners to reclassify

properties for legitimate reasons; thereby reducing the potential additional revenue that might be generated.

11. 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.
12. From April 2023, the assessment criteria will be 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 totalling 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.
13. Where a second home is owned jointly, by couples, it is acknowledged that 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.
14. 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%. 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.
15. The second homes figures in Wales suggest that regardless of any avoidance activity that may occur as a result of the premium, there should still be sufficient incentive for the Council to consider a Council Tax premium on second homes in order to help address the issues caused by second home ownership within the area.

## **Community impact**

16. Council tax is levied to enable the council to resource service delivery in accordance with the corporate plan priorities established by full Council. The proposed increase could result in increasing individuals' financial difficulties; this is mitigated by providing payment options, relevant discounts and reliefs, including the council tax reduction scheme, and local assistance fund. The council provides council tax discount to care leavers and foster carers.

## **Environmental Impact**

17. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

18. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy. All council tax payers are encouraged to manage their account online and to activate electronic billing.

## **Equality duty**

19. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
20. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Council Tax charges may have an impact on households and there are a variety of schemes in place to mitigate against a negative impact, including single person discount and council tax reduction. Further details how to make such claims can be found on the council's website.

## **Resource implications**

21. The resources required for billing purposes are contained within existing budgets. Customers are encouraged to register online to receive their bill electronically. As in prior years, information relating to council tax, including how the money is spent, will be available online and a weblink will be included on issued bills.

## **Legal implications**

22. The recommendations set out within this report are subject to the Levelling Up and Regeneration Bill receiving Royal Assent.

## **Risk management**

23. Risks will be managed and mitigated as noted below.

**Risk / opportunity**

That a premium is applied against a deemed second home incorrectly.

**Mitigation**

Verificaiton checks to confirm circumstances and ownership will be carried out to ensure appropriate application of the premium.

**Consultees**

24. None.

**Appendices**

None.

**Background papers**

None identified.