

20 March 2024		ITEM: 12
Council		
Council Tax – Second Homes Premium		
Wards and communities affected: All	Key Decision: Yes	
Report of: Cllr Graham Snell, Portfolio Holder for Finance, Human Resources and Payroll		
Accountable Assistant Director: Andy Brittain – Head of Revenues and Benefits		
Accountable Director: Dawn Calvert – Interim Chief Finance Officer		
This report is Public		
Version: Final		

Executive Summary

This report is a follow up to the Council Tax Premium report that previously was considered by Council on the 28 February 2024 (agenda item 18).

At this meeting, Council voted in favour of an amendment to defer the decision on approving the second homes premium from 1st April 2025 for further consideration.

This report provides Members with further clarification to enable consideration of the revised recommendations set out in this report, by highlighting that:

- Legislation requires that Council make the decision to introduce the premium at least 12 months before the financial year it applies. Therefore, should the Council wish to maintain the option to charge the premium for 2025/26, it needs to make an initial determination to introduce by 31 March 2024.
- The Council has the power to reconsider or revoke any previous decision before the financial year it is due to be charged. Therefore, in this instance, if approved before the 31 March 2024, the Council will have the option to reconsider its implementation within the new financial year. Therefore, allowing time for the full government guidance to be published and impacted.

Previously section 11b of the Local Government Finance Act 1992 has provided billing authorities the ability to charge a council tax premium on properties that remain empty and unfurnished for longer than 2 years.

This legislation has recently been amended by Levelling Up and Regeneration act 2023 which received royal assent in October 2023. In summary and in relation to this report the new amendments, include the option to charge a new second homes premium from 1 April 2025.

The primary objective of the second homes premium is to increase available housing by providing an incentive for owners to bring unoccupied properties back into general use through sale or rent. However, where owners opt to pay the premium rather than take alternative action, this will provide vital additional council tax revenue which can be used to assist the Council move to financial sustainability.

Commissioner Comment:

Commissioners support the recommendations outlined, that the Council makes an initial determination to introduce the Council Tax – Second Homes Premium from 2025/26. Implementation will be considered as part of the 2025/26 budget setting process.

1. Recommendation(s)

- 1.1 That Council approves the introduction of a 100% council tax premium (in addition to normal council tax) on properties classed as 2nd Homes from 1 April 2025.
- 1.2 That Council notes that in approving 1.1, that Council retains the option to amend or revoke the decision before it comes into force on 1 April 2025.
- 1.3 That Council approves in line with 1.2, the decision will be returned to Council for review, within budget setting reports for 2025/26.

2. Introduction and Background

- 2.1 Section 11b of the Local Government Finance Act 1992 amended by Levelling Up and Regeneration act 2023 which received royal assent in October 2023, provides Councils with the opportunity to charge up to a 100% second homes premium from 1 April 2025.
- 2.2 The Council has complete discretion on whether to apply this premium within its area and at what level to apply it to - up to 100%.
- 2.3 A Council wishing to use this power must give 12 months' notice before it first uses it. Therefore, the Council is required to make a determination before the 31 March 2024 if it intends to introduce it for 2025/26.
- 2.4 However, in making a determination, a billing authority may make a further determination varying or revoking a previous decision before the financial year it is due to be applied commences.
- 2.5 Where introduced, the proposed premium would increase the level of council tax due in relation to the banding of the property (A-H). For example, where a BAND C property is subject to 100% premium, the total amount due would be 200% of the band C charge.
- 2.6 Detailed Government guidance on the definition of second homes and mandatory exclusions are expected to be published shortly. It is intended that this will be fully considered, along with verified numbers to guide the final policy.

3. Issues, Options and Analysis of Options

- 3.1 There are currently 289 properties identified on the Council Tax system as second homes. However, as second homes are currently subject to standard council tax charges, it is recognised that this information may not be entirely accurate and therefore communication and validation exercises will need to be undertaken before premium charges are applied.
- 3.2 In addition to 3.1, as the intended purpose is to encourage owners to bring properties back into general use, numbers potentially subject to the premium cannot be validated at this stage. However, based on current numbers the combined effect would amount to an additional £405k in Council Tax revenue from 2025/26.
- 3.3 The Government intends to introduce some mandatory exclusions where the second home premiums will not apply. Whilst the following have been consulted on, they have not been confirmed at this stage and will therefore need to be further considered once published:
- Where a dwelling is exempt from Council Tax it will also be exempt from premiums.
 - The property is empty because the owner has to live in armed forces accommodation or for job-related purposes.
 - The property is an annexe that is being used as part of the main property.
 - Properties undergoing probate.
 - Properties being actively marketed for sale or let.
 - For occupied caravan pitches and boat moorings.
 - Seasonal homes where year-round or permanent occupation is not allowed.
- 3.4 Where applied premiums will be billed alongside normal council tax charges and liable parties will have the option to pay by instalments up to 12 months, recovery and cases of genuine hardship will be managed in line with the fair debt policy.

4. Reasons for Recommendation

- 4.1 The primary objective of these premiums is to increase available housing by providing an incentive for owners of second homes back into general use through sale or rent. However, where owners opt to pay the premium rather than take alternative action, this will provide vital additional council tax revenue which can be used to assist the Council move to financial sustainability.
- 4.2 The introduction of the second home premium is also intended to close the loophole on the empty homes premium, whereby owners of empty properties can currently avoid the premium by meeting the conditions of a second home.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 There is no legislative requirement for the council to formally consult on the introduction of new premiums. However, various engagement activities will be undertaken for properties currently listed as second homes, ahead of implementation.

6. Impact on corporate policies, priorities, performance and community impact

6.1 N/A

7. Implications

7.1 Financial

Implications verified by: **Rosie Hurst**
Interim Finance Manager

6 March 2024

The primary objective of the proposed 2nd home premiums is to bring property back into general use. However, where owners choose not to do so, they will be subject to the premium which will result in additional council tax revenue.

Whilst the report provides numbers of properties that are potentially subject to amended premiums, these have not been included within financial forecasts at this stage.

Where approved 'new income' will need to be considered once sufficient information is available to enable a forecast to be included within the Council Tax Base.

7.2 Legal

Implications verified by: **Gina Clarke**
Governance Lawyer & Deputy Monitoring Officer

7 March 2024

Section 11B of the Local Government Finance Act 1992 (the 1992 Act) (as amended by section 79 of the Levelling Up and Regeneration Act 2023) (the 2023 Act) gives the Council as a billing authority the power to charge a discretionary council tax premium for properties empty for at least one year up to a maximum level set by law, depending on the length of time the property has been empty.

Section 11C of the 1992 Act inserted by the 2023 Act gives the Council as a billing authority power to charge a discretionary council tax premium of up to 100% for properties which are periodically occupied, referred to as second homes. This is defined as a dwelling that is substantially furnished and has no resident (i.e., it is not someone's sole or main residence).

Section 11C (3) of the 1992 Act requires that the first decision to impose a premium for second homes must be taken at least 12 months before the financial year to which it would apply. This means that if Full Council decides to apply a premium for second homes it cannot not take

effect until the 2025/26 financial year at the earliest. However, it is essential that a decision is made Council at the latest before 31 March 2024 to give the required one-year notice.

The Council has discretion on whether to apply a premium and at what level to apply the charge below these maximums.

Sections 11B (1D) and 11C (4) of the 1992 Act as amended, states that billing authorities must have regard to any guidance issued by the Secretary of State when deciding whether to implement an empty homes or second homes premiums. The current statutory guidance was published in 2013. It is expected that updated guidance will come into effect from the 2024/25 financial year.

As mentioned at paragraph 3.3 of the report, the government launched a consultation exercise on proposals to exempt or defer for a defined period certain categories of properties from the council tax premium. It is expected that the proposed categories included in the consultation will be included in updated statutory guidance or regulations which authorities will be required to adhere to. In view of this, the Council will need to ensure that any charging regime introduced is in line with any further changes in legislation and updated guidance issued by the Secretary of State.

Where Cabinet's recommendations to charge a council tax premium for second homes are approved by Full Council, a resolution must be made to implement the charging regime.

Within 21 days of the resolution being taken, the decision is required to be published in at least one local newspaper. Should the Council at any time wish to vary or revoke a decision to impose any type of premium, this can be done at any time before the beginning of the financial year to which it would apply.

7.3 **Diversity and Equality**

Implications verified by: **Rebecca Lee**
Team Manager Community Development and Equalities
6 March 2024

All information regarding Community Equality Impact Assessments can be found here:
<https://intranet.thurrock.gov.uk/services/diversity-and-equality/ceia/>

No protected groups are considered to be disproportionately impacted by the second home premiums.

7.4 **Risks**

N/A

7.5 **Other implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

N/A

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

N/A

9. **Appendices to the report**

N/A

Report Author:

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Head of Revenues and Benefits