

Committee: Cabinet

Date: 19 February 2024

Wards: All

Subject: Council Tax Empty Premium and Second Homes Premium

Lead officer: Asad Mushtaq, Executive Director Finance & Digital

Lead member: Councillor Billie Christie, Cabinet Member for Finance

Contact officer: Sara Murtagh, Head of Revenues

Recommendations:

Cabinet is asked to recommend that Full Council determines that:

1. For any dwelling within the area of the Council if, on any day, there is no resident of that dwelling and it is substantially furnished, the following shall apply:

- the discount in s11(2)(a) of the Local Government and Finance Act 1992 (LGFA) shall not apply to that dwelling; and
- the amount of council tax payable in respect of that dwelling and that day shall be increased by 100 percent, where the dwelling has been empty for more than 1 year on 1 April 2024.

2. Where a dwelling within the area of the Council, if on any day there is no resident, and it is furnished:

- the discount in s11(2)(a) of the Local Government and Finance Act 1992 (LGFA) shall not apply to that dwelling; and
 - the amount of council tax payable in respect of that dwelling and that day shall be increased by an amount up to 100 percent, with effect from 1 April 2025.
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. To update Cabinet on Council Tax legislation changes which will allow councils to:

- charge a premium of 100% on a dwelling where there is no resident, and it is substantially unfurnished and has been for more than 1 year from 1 April 2024, and
- charge a premium of up to 100% on a dwelling where there is no resident, and it is furnished and occupied only periodically, with effect from 1 April 2025.

1.2 To ask Cabinet to recommend that Full Council agrees recommendations 1 and 2.

2. DETAILS

There is a shortage of affordable rental properties in London. Empty property and second homes and short term lets contribute to this shortage. This in turn drives up the cost of renting locally and worsens the circumstances of those suffering the effects of the cost-of-living crisis. This proposal will allow the Council to charge additional council tax on furnished properties that are not being lived in year-round and on long term empty property. These council tax premiums are designed to act as a deterrent to keeping properties empty for any significant period, with the hope that owners of second homes will explore more socially responsible ways for their properties to provide them income.

2.1. Council Tax Long-Term Empty Dwellings

2.1.1 Currently a premium of 100% is charged on empty, unfurnished property which has been continuously unoccupied for a period of more than 2 years. (The premium increases at 5 and 10 years, to 200% and 300% respectively)

2.1.2 The Levelling-up and Regeneration Act 2023 (the 2023 Act) received Royal Assent on 26th October 2023. Section 79 of the 2023 Act inserted section 11C (which concerns unoccupied, unfurnished dwellings) into the Local Government Finance Act 1992. This change allows a premium of 100% to be charged on dwellings that are continuously unoccupied and unfurnished for more than 1 year.

2.2 As of 25 January 2024, the number of dwellings within the borough that have been registered as having no resident and being substantially furnished for more than a year is 630, broken down into bands:

Band A	29
Band B	70
Band C	187
Band D	179
Band E	78
Band F	40
Band G	28
Band H	19

2.2.1 Applying the empty homes premium after 1 year, instead of 2 years, has the potential generate additional income for the council.

2.2. Council Tax Second Homes Premium

2.1.2 The above change to the Local Government Finance Act 1992 allows a 100% Council Tax premium to be charged in cases where there is no resident of a dwelling, and that dwelling is substantially furnished.

2.1.3 Legislation confirms that we must decide, and give notice to charge the premium, at least 1 year before the beginning of the financial year to which it relates. Therefore, to charge the premium from 1st April 2025 the determination must be made prior to 1st April 2024.

2.1.4 There are currently 953 dwellings with no resident that are furnished:

Band A	32
Band B	161
Band C	360
Band D	345
Band E	182
Band F	87
Band G	70
Band H	26

- 2.1.5 Applying the 100% premium has the potential to bring additional income which would help lessen the councils funding pressures in 2025.
- 2.1.6 In addition, increasing the premium to the maximum 100% may encourage residents to bring such properties (whether used as a second home or otherwise) back into permanent residential use which could in turn lead to an increase in available housing.
- 2.1.7 Due consideration has been given to circumstances where the reason a dwelling is empty and furnished is because it is between lets. However, the new legislation does not provide for any interim period (e.g., a two-week grace period) before the premium is applied and instead, it applies with immediate effect. Charging the premium in this type of scenario would likely incentivise the properties to be brought back into use as soon as practicable.
- 2.1.8 The Council will continue to have the means to reduce or remove Council Tax liability under section 13A (1)(c) of the Local Government Finance Act 1992 (e.g., cases where there is exceptional, extreme hardship).
- 2.1.7 The Revenues team will undertake a review of all properties currently registered as empty and furnished during the 2024/25 year in readiness for the 2025/26 year.
- 2.1.8 Further information is currently being gathered as to what all London boroughs propose to do. It is believed that London Borough of Sutton, London Borough of Kingston and London Borough of Wandsworth are all likely to implement these changes from 01/04/2025.

3. ALTERNATIVE OPTIONS

- 3.1 Not applying the empty homes premium after 1 year and continue to apply it after an empty period of 2 years.
- 3.2 Not applying the second homes premium or applying it a lesser percentage
- 3.2.1 Apply the premium, or to apply the premium at an amount less than 100%.
- 3.2.2 Apply the premium or in a later financial year.

4. TIMETABLE

- 4.1 Legislation confirms that we must decide, and give notice, to charge the second home premium at least 1 year before the beginning of the financial year to which it relates. Therefore, to charge the premium from 1st April 2025 the Council must make its determination prior to 1st April 2024.

4.2 There is no requirement to issue notice to be able to amend the charging of the empty homes premium after 1 year instead of 2 years.

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

5.1 There will be a minimal cost to the Council to implement these changes.

6. LEGAL AND STATUTORY IMPLICATIONS

6.1 Section 11C of the Local Government and Finance Act 1992 (LGFA) provides a power that enables the Council to determine whether a premium should be applied to those dwellings which are substantially furnished and in respect of which there is no resident. The Council may make such a determination for part or the whole of its area and may apply a premium in such percentage as it thinks fit subject to a maximum of 100 percent. The Council may also determine that the discount provided for in s11(2)(a) LGFA shall not apply to such dwellings.

6.2 Section 11C(3) LGFA provides that the Council's first determination must be made at least one year before the beginning of the financial year to which it relates. There is no statutory requirement for consultation. However, sections 11C(8) and (9) provide that where the Council makes such a determination, it must publish a notice of the determination in at least one newspaper circulating in the area and that the notice must be published before the end of the period of 21 days beginning with the date of the determination.

6.3 Section 67 LGFA requires that the recommendations in this report are agreed by Full Council.

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

7.1 The proposed changes should impact only on service users who are owners of second home properties. However, very little data is collected on these service users within the council tax service. It should be noted that the driver for these changes is to bring more homes back into use and into the local housing market, which will benefit individuals across the protected characteristics. If the Council agrees to the proposals contained within this report with effect from 1st April 2025, it will be necessary to advertise the changes in the premium arrangements for long term empty properties and provision of the information will be by means of an advertisement in the local press no later than 21 days after the Council's decision. All residents currently affected by the premium changes will also be written to within this timescale before the service of the annual bills for 2025/26.

7.1.1 It is considered reasonable to suggest that:

- It is unlikely that there would be many residents under the age of eighteen who have empty and furnished dwellings, therefore children are unlikely to be disproportionately impacted by the decision.
- There is no reason to think that any other group who share a particular protected characteristic would be overrepresented in the cohort of residents who will be impacted by this change.

7.2 When administering Council Tax, the Council seeks to identify vulnerabilities and respond appropriately. The Council will continue to monitor the impact of the proposed changes.

7.3 As part of the Council's procedures to respond appropriately to identified vulnerabilities, it promotes and implements a range of discounts, disregards and exemptions, which seek to support residents who cannot pay the full Council Tax liability. The Council will continue to promote these relief options to maximise uptake and help residents who need additional financial support.

7.4 The Council does not have to consult on changes to the council tax empty discount provisions. The consensus from the London Revenue Group is that London Boroughs are not consulting prior to applying the higher premiums.

8. CRIME AND DISORDER IMPLICATIONS

8.1. None for the purpose of this report.

9. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

9.1 The main risk associated with the implementation of these premium changes is that of non-payment. The current collection rate for properties currently attracting the premium is approx. 98% so this risk is considered to be minimal.

10. BACKGROUND PAPERS

None.

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